# OF MICHIGAN NOV 10 1950 he COMMERCIAL and CHRONICI.F. JANCIAI.

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#### **EDITORIAL**

# As We See It

Election day has passed into history. The votes have been cast and counted. "The tumult and the shouting" have—in a measure at least —died away. Is it not now possible for us to face the situation by which we are confronted calmly, intelligently, candidly, and constructively? Can we not now plan our future course without the necessity of "making a showing" politically and without regard to "saving face"?

It seems to us that the need for careful reappraisal of the world situation and of our position among the peoples of the world was never greater or more urgent than at present. We are firmly convinced that errors of policy stemming from distorted conceptions of the state of affairs now existing throughout the world, or from false ideas of the proper general course for us to follow in the circumstances, are in danger of being little short of disastrous. With immediate need for political jockeying largely eliminated, the time would appear propitious for real statesmanship to rescue us from such hazards as these.

One of the first things, perhaps the very first thing, for us to reconsider is the extent to which we should devote our energies to strictly military preparation. To many of the cooler heads of the country, it has all along seemed that an element of hysteria had tinged official thinking, or at least official utterances and plans, ever since the outbreak in Korea last June.

It has through the postwar years become increasingly clear that Russia never had the slightest notion of reducing her immediate military power in proportion to that of her allies Continued on page 32

## Foreign Trade Council **Issues Recommendations**

At close of 37th National Convention in New York City, expresses belief that key to defense of free world is ability of free enterprise to outproduce forces of aggression, and recommends, among other things: (1) defense of free world; (2) maintenance and expansion of international trade; (3) foreign economic assistance; and (4) encouragement of private investment abroad.

Before closing its 37th National Foreign Trade Convention, held at the Waldorf Astoria Hotel in New York City, Oct. 30 to Nov. 3, the National Foreign Trade Council, Inc., of which Robert F. Loree is Chairman of the

Board, issued a Final Declaration, which contained, among other things, the various recommendations for the maintenance of private enterprise and the defense of freedom. Text of the Council's recommendations is given herewith:

(1) Production for Defense of the Free World-The defense of the free world rests in the determination of its peoples to resist aggression, and in their ability to outproduce the forces arrayed against them. It is, therefore, of utmost importance that the domestic policies of the United States Government be so formulated and implemented as to preserve the incentives inherent in the private en-

terprise system and call forth all the initiative, the energy and the skills of which the American people are capable.

Since the United States, alone, cannot carry the burden of the vast increase in production required, the foreign policies of our government must be directed toward the stimulation of the productivity of our partner nations, and toward the encouragement and strengthening of private enterprise throughout the free world.

Only by a cooperative effort to overcome the obstacles that discourage the formation of capital, hamper the creation of additional productive facilities, and obstruct

## Foreign Trade and **National Preparedness**

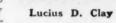
By GENERAL LUCIUS D. CLAY (Ret.) \* Chairman of the Board, Continental Can Co., Inc.

Gen. Clay in stressing importance of foreign trade as instrument of peace and economic stability, cites postwar difficulties in Germany arising from breakdown of international trade relations. Points out U. S. is still dependent on certain vital foreign materials for both peacetime use and war preparation, and asserts cold war of today is as much economic as political in nature. Holds North Atlantic Pact and Marshall Plan aid are accomplishing restoration of normal European trade pattern.

I would like to say at the start that it seems to me that all of you who are concerned directly with the expansion and development of our foreign trade are also contributing materially to the creation of the stable world which must be brought about before there can be real hope for a

lasting peace. It is obvious that foreign policy and foreign trade have gone hand in hand throughout the centuries. If we accept national defense measures as resulting directly from our foreign policy, and I think we must, then we must likewise accept the concept that foreign trade and national defense go hand in hand.

In fact, historically, it is difficult to determine which came first. Foreign trade, the search for new trade outlets and for new products, developed the earliest recorded examples of national, foreign and military policies. The Greek cities built their



tiny galleys to cross the Mediterranean Ocean to seek new goods and to establish trading centers, which in Continued on page 35

\*An address by Gen. Clay at the Third General Session of the Thirty-Seventh National Foreign Trade Convention, New York City, Oct. 31, 1950.



Continued on page 43

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(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

MAURICE S. BENJAMIN Senior Partner, Benjamin, Hill & Co., N. Y. City

(American Cyanamid)

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to forty million new people (the entire populations of Argentina, Australia and Canada) must be provided for in the United States. This covers the span of years from 1940 to 1960. New products at low prices must be provided. This means more and better substitutes and synthetics with more energy for their manufacture. Chemistry will supply the answer from plastics to atomic energy.

Maurice S. Benjamin

American Cyanamid is the fourth largest chemical concern in the country. It operates 37 plants and and other allied products. Of the ten groups into which the company's products fall, pharmaceuticals stand at the top. Lederle Laboratories, wholly owned subfactor in this field. Lederle seems to have the lead in the new and fast moving field of antibiotic drugs with its new aureomycin. This already seems slated to rival streptomycin as one of the largest sellers in the field. One of aureoit cures a number of types of virus pneumonia and influenza, which famous penicillin does not touch. Unlike penicillin, aureomycin is exclusive with Lederle and is covered by a patent which does not are recent developments.

rest of the world. The puble and given to growth and efficiency. governments were educated to The outlook for American ans' hospitals provided new out- limited.

lets, the birth rate increased substantially all over the world, and the medical profession was educated to the use of new and im- General Precision Equipment Corproved products. The increase in the percentage of old people and and good management. American youth groups in our population together with all the planned benefits for the aged are also significant factors bearing on the drug and chemical industry.

Another activity which holds great promise for the future is that of synthetic fibres. It is claimed that du Pont's new fibre "Orlon" has all the characteristics of wool and is, in some respects, superior to it. American Cyanamid is the only major producer of acrylonitrile, the raw material for Orlon and other synthetic fibres. Part of a present expansion program is to increase the output of this basic raw material, as du Pont is scheduled to commence commercial production of Orlon this

The U.S. Government, after investigating 21 chemical concerns, contracted American Cyanamid for atomic energy chemicals.

Another reason for choosing this company's stock against other leading ones in the same field is the comparative price. It sells at manufactures a widely diversified by far the lowest times-earnings line of chemical, pharmaceutical ratio as may be seen in the accompanying table.

The dividend yield at current price (\$67) is about 6%. The payment is about 35% of earnings. sidiary, has long been a major The labor factor is small and therefore very favorable.

There is a question of the prospects of growth companies under an excess profits tax. Hearings on the subject have been in progress mycin's notable advantages is that for some time, and the best heads of industry and finance are giving their evidence. Many lessons were learned from the experiences of the last war in relation to inflationary effects, injustices to effiexpire until 1966. A cure for ciency in impairing production, mumps and the purifying of blood recognition of growth for stimulation of new products, etc., etc. The war had a far-reaching ef- There is no certainty of an Excess encouraging emphasis on research Profits Tax with moderate provi- of industry. and thus American advances in sions. If either, it is logical to medicine jumped far ahead of the expect that recognition will be

greater health consciousness, for- Cyanamid in any economy of eign markets were opened, veter- peace, preparedness or war is un-

9 Months Times Earnings Abbott Laboratories 2.21 43 19.4 Allied Chemical 54 16.7 American Cyanamid 7.77 8.6 American Home Products 2.37 31 13.0 Bristol-Myers 27 12.6 Dow Chemical 68 11.8 Du Pont 17.0 Hercules Powder 3.86 15.0 Monsanto Chemical 4.48 65 14.5 Parke Davis 39 14.0 Pfizer & Co.\_\_\_\_ 68 15.1 Rohm & Haas\_\_\_\_ 85 12.8 Sharp & Dohme 40 11.3 Union Carbide 48 13.9

#### This Week's Forum Participants and Their Selections

American Cyanamid-Maurice S. Benjamin, Senior Partner, Benjamin, Hill & Co., New York City. (Page 2)

National Lead Company-Roy W. Doolittle, Doolittle & Co., Buffalo, N. Y. (Page 2) •

poration — Mason B. Starring, Jr., A. C. Allyn & Co., Inc., New York City (Page 30)

#### ROY W. DOOLITTLE Doolittle & Co., Buffalo, N. Y., Members N. Y. Stock Exchange

(National Lead Company)

The stock of National Lead Company presents a seldom-found combination of investment qualities and possibilities of dynamic

growth. This company occupies a preeminent position in the titanium pigment market. in the potential development of titanium metal and in the recent introduction of bentones-organic clay

compounds for which

there is apparently a large market. It has a number of other products in the final stages of development which should lift future earnings to higher levels.

Roy W. Doolittle

National Lead has a long, unbroken record of earnings and dividends which is indicative of its able management. The management has employed sound planning and adjustment to changing trends. In each of its fields—titanium pigments, barite products, bearing metals and lead products-the company is believed to lead its competition. Of recent years it entered the field of mixed paints with its "Dutch Boy" trade mark yielding excellent results. The leading product of the company in terms of sales and earnings, and one with great growth possibilities, is titanium pigment. Its unsurpassed hiding power, because of high reflection qualities, and superior chemical and physical stability, have elevated titanium to the number one position among white pigments. The company strives for products with large maintenance replacement fect in accelerating progress by Profits Tax. There may be a War ucts sold to a broad cross-section New York City Tel.: BOwling Green 9-4818

> real romance in Nationa Lead, however, lies in the development of the metal titanium. Its strength-weight ratio is so far ahead of both aluminum and iron, it may eventually replace either or both as a structural metal. All that is necessary is for production methods to improve sufficiently to make it competitive pricewise. At that point, a substantial tonnage market could develop almost overnight. Generally speaking, titanium possesses a strengthweight ratio equal to about 41/2 times that of aluminum and iron. Though only 60% heavier than aluminum, it is five times as strong. It is about 40% lighter than iron and equal to it in tensile strength. When alloyed, titanium's strength may be doubled. Other advantages include exceedingly high resistance to corrosion and

> > Continued on page 30

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## **Investment Companies** Gear to a War Economy

By HENRY ANSBACHER LONG

Although cash positions were increased during third quarter by majority of funds and only one-third of managements bought on balance, nevertheless the over-all total of buying transactions approximated sales. Liquidation ascribed to uncertainties over taxes and controls. Purchases concentrated in oils, rails, steels, and nonferrous metals, as utility and building issues are sold.

omy, investment companies dur- appeared in the motor issues,

year concentrated purchases in the oil, railroad, steel and nonferrous metal stocks. The petroleum issues, of course, have been current favorites for some time and many trusts hold sizable per centages of their portfolios in this



Henry A. Long

group, but not since the third quarter of 1948 net cash and governments, many had the railroads been generally Interest also increased in the equiand in a half dozen of these the exceeded sales by very light mar- such cash for large fiscal yearapproximated the selling aggrealmost two years' duration, sales Several issues, received previously as distributions in dissolution and simplification programs of holding company set-ups, were disposed of. The second least marked switch in sentiment from dollars in July. the previous quarter; in that period, these equities ranked third in investment management pref-

erence. of the Wall Street Investing Corp., three statements of trust manmakes the following observations in his letter accompanying the third quarter reports: Douglas T. Fund's quarterly report: "... Both Johnston of the Johnston Mutual because the postwar shortage Fund observes: "... The longer demand for new houses . . . ."

the previous quarter, were now an

Shifting into gear for a war econ- unpopular group. Profit-taking ing the third quarter of the while selling likewise predominated in the two major electrical equipment companies. Tightening of restrictions on consumer credit was naturally reflected in the decrease of portfolio holdings of the finance companies.

Despite the shifting of outlook on the equities of these industries, and the acquisition by managements of companies more likely to turn in good profit accounts during a war and inflationary economy, a noticeable amount of caution in varying degrees is apparent among the investment companies. Statistically, this is evidenced by the fact that 37, or 60% of the trusts included in this survey, added to their reserves of of which had already been quite favored by fund managements, substantial at the end of the semi-annual period (See accomties of paper companies and agri- panying table). Only 20% decultural machinery. Only 30% of creased liquid assets and of these the trusts purchased on balance the two sole funds to make substantial reductions increases to portfolio holdings Mutual and Affiliated Fund—used gins. Nevertheless, over-all total end dividend payments earned purchase transactions of the 63 both from investment income and companies included in this survey capital gains. It is interesting to observe that eight out of the gate. Reversing a buying trend of fourteen closed-end companies, which cannot depend on continuwere heaviest in the utility group. ous sales of their shares to the public for new cash, were among those that upped reserves during the period. A ninth closed-end trust, General Public Service, also increased its cash position, but favored group was the building this was aided by an addition to stocks which also represented a its bank loan of over two million

#### Policy Toward Inflationary **Implications**

Illustrative of such varying de-Commenting on the recent de- gree of caution joined with a decline in the price of lumber and sire for protection against the the outlook for the housing in- inflationary implications of the dustry, John H. G. Pell, President war economy are the following agers accompanying their trusts Johnston of the Johnston Mutual Fund observes: ". . . The longer must have been largely filled and term prospects are inflationary because of tightening credit in and common stocks, while not a this field a substantial drop in perfect hedge, do afford a better housing starts has been predicted long-term protection of purchasfor 1951 by several competent ing power than cash or fixed inauthorities. We are approaching a come securities. The managers of period when marriages are likely your Fund are keenly aware that to decline as a result of the low it is not enough to preserve the birth rate of the depression years dollar value of investment capital which followed 1929. If a substan- -its purchasing power must be tial number of men in their twen- preserved as well. It should be ties are to be drafted and held in realized, however, that the reflecthe armed services for several tion of long-term inflationary years, there will be a lessened prospects in stock prices is not a 'one-way street.' The various Chemicals, also well-liked in restrictive measures now being Continued on page 25 INDEX

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#### COMING EVENTS

In Investment Field

Nov. 9, 1950 (Boston, Mass.)

Boston Investment Club Dinner Meeting at the Boston Yacht Club,

Nov. 14, 1950 (Detroit, Mich.)

Security Traders Association of Detroit & Michigan Fall Party at The Detroit Boat Club.

Nov. 15-16, 1950 (N. Y. City)

Association of Stock Exchange Firms' annual meeting of Board of Governors at the Waldorf-Astoria.

Nov. 26-Dec. 1, 1950 (Hollywood,

**Investment Bankers Association** Annual Convention at the Hollywood Beach Hotel.

Dec. 8, 1950 (New York City) New York Security Dealers As-

sociation Silver Anniversary Din-ner at the Waldorf-Astoria Hotel (Starlight Roof).

Dec. 21, 1950 (St. Louis, Mo.)

Mississippi Valley Group of have come in IBA Christmas Party at the Park Plaza Hotel.

Feb. 21, 1951 (Philadelphia, Pa.) Investment Traders Association of Philadelphia Winter Banquet.

June 15, 1951 (Philadelphia, Pa.) **Investment Traders Association** 

of Philadelphia Summer Outing cratic and Dinner at the Manufacturers other part of these funds—I am Golf and Country Club, Oreland, sure the proportion must be rela-

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## Canadian Economic Progress— Retrospective and Prospective

By JAMES STEWART\*

General Manager, The Canadian Bank of Commerce

In calling attention to Canada's remarkable economic progress in last decade, prominent Canadian banker reveals reasons for recent policy of allowing value of Canadian dollar to find its own market. Cites difficulties in covering excess of imports from U. S. with sterling balances, but looks for gradual reduction of imbalance in U. S.-Canadian trade. Says Canada is prepared to meet emergencies of Far Eastern conflict.

Canada has been in the eco- is a question in many minds today nomic limelight in your country as to whose dollars—yours or ours for some time past. So much so, —actually fluctuated! There is

inflow of investment funds from United States sources seems to have been almost embarrassingly large. Some - I should think indeed the bulk - of these funds for long-term investment, ooking



James Stewart

rewards that reside in sharing in the development of a friendly country with rich natural resources, an expanding economy, stable government and a demopolitical outlook. Some tively small—is of a more speculative character, attracted to Canada in anticipation of an early, upward, arbitrary revaluation of our dollar and the reaping of a quick profit thereby.

In this latter regard a word of caution will certainly not be out of place, because it should be borne in mind that Foreign Exchange Control Board regulations and restrictions still exist. The main exception is that the interplay of supply and demand is being allowed to operate and consequently set the rates -- rather than that the operation is on a fixed-rate basis set by a govern-

ment agency.

At the end of September our reserves in gold and United States dollars stood at approximately \$1,789.6 million. The greater proportion unquestionably would be reserves in the real sense, although the exact proportion cannot be determined at present. The lesser proportion, which time and the market alone dollars reserves grew by \$534 million. Of this sum, \$285 million came to us in September alone, country, That figure is about 15% of the total of our U.S. dollars reserves as at Sept. 30.

While I am on the subject I would note the postion credited to the International Monetary Fund in a press statement as fol-

"The Fund recognizes the exigencies of the situation which have led Canada to the proposed plan and takes note of the intention of the Canadian Government to remain in consultation with the Fund and to establish an effective par value as soon as circumstances

Because of the manner of the expressed reasons therefor, there

"An address by Mr. Stewart before the of prod Thirty-Seventh National Foreign Trade an inte Convention, New York City, Oct. 30, 1950. year):

in fact, that in recent months the little doubt that the fixed rate of exchange between the two dollars had much to do with the amount of money transferred to Canada from the United States during the past two months. Nor can there be any doubt that the inflationary threat contained in these transfers resulted in the Canadian decision to allow the dollar to find its own level. It is to be hoped, therefore, that the International Monetary Fund's statement regarding "an effective par value" does not mean that we shall—once the rate has been established within narrow limits — go back to an inflexible rate. Such a step, to most people's minds, I am sure, would be retrograde, in that it would aid in restoring the very situation which exposed us, in part at least, to a speculative raid upon our econ-

Highlights of Canadian Economy

It might be appropriate at this point for me to summarize background facts and highlights of the Canadian economy:

(1) Since 1939 Canada's productivity measured by Gross National Product has increased approximately 300%-from \$5.6 billion to \$15.9 in 1949. For 1950 it is now being estimated at over \$17 billion. While these figures are computed in the "dollars of the day," still the rate of increase is significant over the period men-

tioned. (2) Since 1939 the index of industrial production (an official calculation of our Bureau of Statistics), has increased steadily from 109.3 to 203.2-in contrast to the relative (although not altogether comparative) American figures of 109 in 1939 to 197 at the

present time.1

Years: 159.2 175.5

(3) Between 1940 and 1945 private capital investment in plant will determine, appears to have and equipment amounted to some been built up by the transfer of \$2,800 million. Since 1945 the dollars for speculative purposes, rate of capital spending has been It is not possible to say how much greatly accelerated and it is estiof our reserves of U.S. dollars mated that during the past five are reserves in the real sense; per- years another \$9 billion will have haps recent figures may be signi- been added to our capital investficant. In the three months, July ment. Much of this was provided than 30% of our national income 1 to Sept. 30 this year, our U. S. by Canadians themselves, indicat- arises from our export-import ing the confidence with which investors view the future of our

(4) Canada's Federal Direct and Guaranteed Funded Debt rose steeply during the war years to a peak of \$17,426 million in 1945. Since the end of the war, however, government revenue surpluses have furnished the means whereby that debt has been reduced by approximately \$1,500 million.

(5) Due to the direction of our war and postwar policies, the bulk of our debt is owed to our own nationals. On the institutional side, the Bank of Canada holds chartered banks approximately 20% and the insurance companies about 13%.

recent movement of funds and the structure and our fiscal policies ucts to the United Kingdom, ac-

coupled with a buoyant economy, Federal tax revenues have rethough, prior to Korea, reductions had been effected in almost every category of taxation.

I have mentioned briefly only a few of the indicators and trends in the Canadian picture in order to provide a background against which our problems, policies and future must be considered.

#### Canadian Economy Now Better Balanced

For many years our economy was principally devoted to agriculture and to the production of primary products—base metals, pulp and products of the forest and the sea. The recent war transformed Canada from an economy that was predominantly pastoral to one of better balance; agriculture, forestry and mining now contribute about 20% of the national income, industry about 30%.

It should be pointed out, however, that agriculture has not declined while industry has attained a more predominant position. Today, relative to the '30s, there are more farms, more farmers and more acres under cultivacreased from some \$750 million in 1940 to an estimated \$2,500 million this year.

Moreover, sub-surface riches are in process of wide exploration tremendous oil discoveries in Western Canada which have important bearings on our economy and your own. In addition, new discoveries of iron ore on a large scale in Labrador, and of extensive titanium deposits in Quebec, have added greatly to Canada's attractiveness as an area for constructive long-term investment

A nation of a wide variety of resources and increasingly high industrial and agricultural output (volume-wise as well as dollarwise), we are one of the few countries in the world today having exportable surpluses. We are a factory, a granary, a storehouse and an arsenal for the free democracies of the world, and a mar-ket as well. I do not intend to burden you with an endless row of figures, but let me mention briefly a few interesting and significant statistics. Canada produces 79% of the world's asbestos, 69% of the world's nickel, 42½% of the world's platinum, 23% of of the lead, 12% of the copper. In one typical year, 1947, our newsprint industry supplied more than 30% of the total tonnage used in the United States. We supplied in the same year 96% of the asbestos requirements of the United States and 97% of your nickel consumption. One might go on at some length with similar facts.

It might be of interest at this point to draw your attention to the fact that while both our countries are "trading countries" more activities. Three out of every eight of our labor force are engaged directly or indirectly in trade. That is akin to saying that three out of every eight jobs depend upon our international trade. The significance of this in our efforts to maintain and promote multilateral trading cannot be ignored.

#### U. S. Chief Source of Imports

In recent years the United States has been the chief source of Canadian imports and, together with the United Kingdom, has been the chief recipient of Canabout 18%, the commercial or adian exports. A somewhat similar triangular arrangement functioned very smoothly prior to 1939. It meant that Canada could (6) Generally speaking, our tax export her surplus primary prodcept payment in sterling, convert 1 The Canadian and American indexes of production from 1946 to 1949 present an interesting contrast (average for each factured, and finished products factured and finished products

have been of such a nature that, from the United States. To emphasize the key position of the United States and to illustrate mained fairly constant even the critical factors in such a network of trading relationships, I would point out that the continuity of the Atlantic trade triangle depended upon the continued existence of a trade deficit between the United States and sterling countries. That deficit was the sources of the United States demand for sterling, which was satisfied, in part, by Canada.

As a result of our surplus position and the expansion of our industrial capacity, Canada emerged from the war as the third greatest trading nation in the world. Naturally we trade in as many markets as we can-last year we exported more than 1,000 classes of items all over the world. On the importing side, Canada is the biggest customer of the United States; across our 4,000 miles of border moves the greatest twoway flow of trade in the world today. For the first seven months of this present year, that two-way import-export trade reached a dollar total of \$2,250 million. While we attempt to trade in all markets of the world, our biggest markets are the United States and tion; cash farm income has in- Great Britain. However, our farm products, generally speaking, are those in which you are either selfsufficient or have an exportable quantity, so that we must look to are in process of wide exploration the sterling area as the principal and development, as witness the market for our wheat. Thus the pattern of our trade has made us think multilaterally, which explains at least in part why Canada has been found in the forefront at all international discussions advocating multilateral trade and currency convertibility.

Multilateral trade, to succeed, must be restricted in the least possible degree. That is one reason why most Canadians were pleased when on Oct. 1 the Canadian dollar was set free to find its own level in the open market

Continued on page 18

#### TRADING MARKETS

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## The State of Trade and Industry

Steel Production Electric Output Carloadings Retail Trade Commodity Price Index Food Price Index Business Failures

A slight dip was evident last week in total industrial production for the nation, however, overall output was overwhelming higher than the level of the comparable week of last year when strikes in the coal and steel industries worked to seriously retard

Steel production a week ago displayed a modest decline of 0.2% of capacity, but this week is scheduled to rebound to 103% of capacity or the largest weekly amount of steel ever to be poured from the country's steelmaking furnaces.

Steel procurement difficulties are mounting in step with the expanding defense program, according to "Steel," the metalworking weekly. DO and other rated tonnage still is relatively small with the bulk of output moving into civilian goods channels. But manufacturers are unable to build substantial inventories, the magazine adds. As a result, acute supply conditions are anticipated in the first and second quarters when the full impact of priority tonnage is expected. Whether conditions will give rise to such serious economic dislocations as to force some departure by the government and the mills from agreed-upon distribution policies, only time will tell. Credit curbs and other government controls, by that time, may have resulted in cutbacks in civilian demand sufficient to materially ease the pressure on overall steel supply. That, at least, is the hope.

However, the biggest question before the market at the moment, this trade paper points out, is: How much will steel prices rise once current wage negotiations are out of the way? extent of the increase will depend largely on the extent of wage concessions, but guesses range from a minimum of \$5 per ton on the average to over \$8. Most of the larger producers are expected to defer action until United States Steel subsidiaries announce a policy. Meanwhile, scattered upward advances continue.

Carloadings the previous week were the highest for any like period, since October, 1948, and the amount of electrical energy distributed by the electric light and power industry for the week ending Oct. 28, established a new all-time high record.

Little change was noted in automotive output last week from that of the previous week and according to "Ward's Automotive Reports." a study of passenger car schedules for November does not disclose any pending cutbacks in production because of the government's credit restrictions. All independent producers and those "big three" companies not bringing out new models this month are expected to hold assembly rates either at or above daily October levels, it said.

This would mean the production of about 600,000 cars in the United States for the month, compared with 659,661 in October. Steel continues to be a problem throughout the industry, however, with its scarcity resulting in the practical elimination of Saturday assemblies, the agency added.

Aggregate claims for unemployment insurance declined to a new two-year low with the total for the unemployed in October, according to Secretary Sawyer of the Department of Commerce, down to 1,940,000.

The 400,000 drop from September was partly due to the reduction in civilian manpower supplies resulting from draft calls and to good weather which brought an expansion in farm activities. While unemployment was decreasing, total employment swung upward to 61,764,000 in October, an increase of 538,000 over September. The October employment figure was the highest ever registered for that month. But it fell short of the record peak of 62,400,000 reached last August.

Consumer credit to finance instalment purchases increased by \$322,000,000 in September, bringing the gain for the three months ended Sept. 30 to \$1,224,000,000 according to the Federal Reserve Board. This compared with a rise of \$776,000,000 during the September quarter last year. Mild curbs on instalment credit were put into effect Sept. 18 and hence the more rigid controls over credit imposed in October were not reflected in the September

September new business incorporations, totaling 6,274, fell sharply to the lowest number in five years, according to Dun & Bradstreet, Inc. It was the smallest for any previous month since the 4,826 recorded in September, 1945, just after the termination of World War II. Last month's total of 5,274 represented a drop of 12.9% from the revised August figure of 7,201, and was 8.6% less than the 6,867 charters issued in September, 1949, the latter representing the first year-to-year decline recorded in the past 12

New stock company formations for the first nine months of 1950 reached a total of 73,104. This was an increase of 9,102, or 14.2%, as compared with 64,002 in the corresponding 1949 period, but it was smaller by 17,319, or 19.2%, than the 90,423 registered in the first nine months of 1948. The all-time peak was 103,638 set in the comparable 1946 period. Only five states reported fewer incorporations this year than last for the cumulative period.

#### Steel Output Scheduled To Reach Largest Weekly Amount Ever Poured

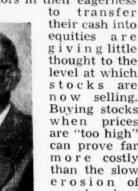
The steel wage-price showdown is nearer this week with the leading steelmaker knee deep in bargaining, states "The Iron Age," national metalworking weekly; in its current summary of

Latest information indicates that "The Iron Age's" original wage-price prediction will be close. Current figures being con-Continued on page 31

Inflation No Safeguard **Against Market Decline** 

By C. W. RICHARDSON\* V.-P., United Business Service Business analyst maintains history shows inflation does not prevent severe stock market declines, and says prospect is high prices of 1950 "may be bull market top.

Inflation psychology seems to have completely captured the thinking of the investing public. Many investors in their eagerness



C. W. Richardson

equities are givinglittle thought to the level at which stocks are now selling. Buying stocks when prices are "too high" can prove far more costly than the slow erosion of purchasing power through inflation. With

transfer

the stock market at its highest level in 20 years and many individual issues 40% to 50% higher in the past 12 months, this can hardly be considered Bargain Day in Wall Street.

History shows that inflation is no safeguard against severe market declines. In 1917, with inflation pushing the cost of living steadily higher, stock prices dropped sharply for seven months, bringing the Dow-Jones Industrials down from 100 to 55. Again in 1946, with the inflation trend strongly upward, prices broke sharply, the Industrials dropping 49 points. Inflation markets are likely to be erratic, dominated more by emotion than reason. There are times in this type of market when it is well to act contrary to the trend of popular thought and build up cash reserves with which to buy stocks during periods of market reaction. We think this time has arrived. We have been recommending a policy of accepting profits and reducing stockholdings on a scale Our Staff thinks that the market has reached a point where a cash reserve around 40% is jus-

Fundamentally our reasons for caution include the fact that 1951 taxes will be taking a much bigger bite out of earnings; war contracts at lower profit margins will be a larger part of total business; labor efficiency will probably decline; and rent controls, allocations of scarce materials, and man power difficulties will cut more deeply into certain areas of civilian production. Thus while the market can derive support and encouragement from the prospective good earnings and liberal dividends of the 1950 fourth quarter, it is likely to be looking also to next year's higher taxes and increased defense preparations.

In United Business Service's Mid-Year Forecast made last June, we estimated a high for the Dow-Jones Industrials for the second half around 235 and a low of about 195. The market is close to the top of that range, and we believe investors should bear in mind the possibility that the high made in 1950 may constitute a bull market top. If we are in the final phase of a bull market, then we are likely to see a further increase in public participation in the market, an increased volume of trading, and fireworks in some individual issues. Such excited price action following the long advance would in itself be a warning to investors to "watch their step.

\*Statement by Mr. Richardson at the panel discussion "The Future of the Se-curities Markets" of the Boston Invest-ment Club, Boston, Mass., Sept. 26, 1950.

## Observations . . .

 $\equiv$  By A. WILFRED MAY  $\equiv$ 

HARD-BOILED EVALUATION OF COMMON STOCKS (Giving Real Meaning to the Dividend and Earnings Yields)

As has been pointed out at length in this column, analysis and forecasting of the market-as-a-whole, and even selectivity if for the near term, are directly inconsistent with genuine investment principles.



A. Wilfred May

Our investment value approach assumes that market price tends to depart from value, thus creating valid opportunities to buy cheap and sell dear; that the investor must estimate in a realistic way the likely return from a share of stock considered as an interest in a property, as he would in investigating a privately owned business; and that similar to the buyer of real estate or a business, the holder of a share in a listed company cannot be guaranteed constant liquid market cashability without loss, but that he can legitimately secure reasonable expectation of an investment return on his capital sufficient to compensate him for the use and risking of his money.

From an investment instead of a speculative viewpoint—under any definition—there is no justification for betting on short-term

events. At its very best a short-term attitude capitalizes the income of the moment-not income of either the average long-term past or the expected future. Instead, affirmatively, we should determine the present worth of a stock by capitalizing its carefully-estimated long-term average annual dividend at a rate that reflects the going yield of riskless interest serving as the rental value of our invested principal, plus an increment for the amount of risk involved.

In other words, and from a hard-boiled common-sense viewpoint, the money-rental and risk components of our investment should be taken care of in the buying price, to give the investor a probability of recouping his principal-with-interest, plus a chance of profit

#### Giving Meaning to the Price-Earnings Ratio

This simple concept will give meaning to the composition of the price-earnings ratio; furnishing rationality to the size of the multiplier making the market price, in lieu of an arbitrary theoretical figure based on historical precedent or convention.

Also from the practical side, experience shows that this individual approach often happens secondarily to furnish a good clue to the position of the general market; its general position (to the extent that there can be said to be one) being generally correlated with the number of individual issues which are found to be under- or over-valued. With the market as a whole, as with individual issues, a good investment frequently turns out to be a

On more theoretical grounds, the quantitative value-appraisal approach conforms to the principle that there is no logic in an investor gauging the value of an equity share according to cyclical or other short-term factors; that process really resting on the speculative assumption that one will be able to find some less wellinformed "sucker" to take it off one's hand later at a higher price; or, conversely, that coming bearish news will cause someone to sell it to him mistakenly at an unwarrantedly low price (a sort of Ponzi philosophy).

We now follow with specific detailing of our evaluation method.

#### **VALUE CALCULATION OF 4 REPRESENTIVE STOCKS\***

	Stock			Tele- I	Manhatia Shirt
(1)	Estimated annual earnings	\$7	5.50	10	3
(2)	Estimated annual dividend	\$4	4	8.50	1.50
(3)	Rental value of capital invested	21/2 %	21/2	21/2	21/2
(4)	Reserve for annual amortization	4%	4	5	4
(5)	Ann. ded. required by $(3) + (4)$	61/2%	6 1/2	7 1/2	6 1/2
(6)	Capitalization of div. at rate of (5)				
	gives appraised value of	\$62	62	113	23
(7)	Margin of safety	\$6	6	11	
(8)	Net advantageous buying price	\$56	56	102	23

The basic quantitative principle—applied to real estate as well as securities—is that we calculate a buying price which seems likely to afford more to gain than to lose from the operation. This is employing capital realistically with eyes wide-open on the calculated risks. To gain this end we capitalize the expected long-term dividend receipts at a rate embodying the pure rental

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## **Excess Profits Tax Termed Impractical**

The November "Monthly Bank Letter," published by the Na-Letter," published by the National City Bank of New York, contains an editorial article captioned "What Is a Fair Return?" in which it is pointed out that the principle of placing a ceiling on earnings through excess profits taxes is impractical under the nation's economy.

"The fact is that a fair return on capital is not something that can be dreamed up by some theorist or determined arbitrarily by legislative action or by the rulings of government boards and com-missions," the article states. "The real criterion is the very practical test of what rate it takes to attract capital.

"This varies in almost infinite degree according to the uses to which capital is put and the conditions under which such usage takes place. It is necessary only to look at the widely different 'yields' prevailing on securities in the stock market to get the point. For well established companies in relatively stable industries the investor may be satisfied with a return of 5 or 6% on his money. For other companies entailing more risk-either because of less moreover can in many parts of intrinsic merit or because subject the world legally or illegally obto wider cyclical fluctuations—he tain the metal by paying a premay demand yields of 10% or mium for it. So, in addition to the more to induce him to buy.

well regarded company is be- cilitate conversion of their curheved to have good prospects for rencies into the monies of the capid growth, the investor may other countries with which they be willing to buy on a 2 or 3% current yield basis-but only because of the expectation that fu- around the world free-market and ure earnings of the company will rise substantially and bring a much higher net return to the avestor through capital appre-

"Finally, many investors will be willing to risk their money in new ad untried ventures that yield no immediate return at all-but ere again it is only because they

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# They Say About Gold . . .

By HERBERT M. BRATTER

Mr. Bratter reviews recent fluctuations in gold movements, and traces cause of loss of gold by United States in large part to intensified inflationary trends. Points out African gold mining profits have doubled since last currency devaluations and Canadian gold output has increased, though mines are getting a lowered price. Sets forth arguments as to inadequacy of gold supply and need for raising gold value. Contends wishful thinking of gold producers gets them nowhere.

International gold movements raw material prices have hastened and the price of gold are watched the process. The widespread curclosely by the financial, business rency devaluations of September,

> longer obtainable by indi-The gold coin standard, alas, no more. But between governments and central banks gold, the convention, still exists and



Herbert M. Bratter

official price of gold which most "In still other cases where a countries post and observe to fado business, there are posted daily in numerous trading centers black-market prices of gold. Gold movements and free market prices are sensitive gauges of changing conditions. Gold is the mirror that reflects the altering relationships among the economies of the different trading nations; or what people think of those changes.

> During the past year and more the outstanding event in the world of gold has been the substantial outflow from the United States. This country still owns a vast stock of the metal, we hasten to add; more than \$23 billion at this writing. But the recent outflow of about a billion dollars worth in less than four months and the corresponding expansion of the British and other gold and dollar reserves have worked to reduce. if not temporarily at least eliminate, the outside world's dollar gap. All the while a heavy stream of foreign aid-grants and loanshas been going abroad from this country. This is equal to saying that it is out of our gifts and loans in large part that various foreign countries have been adding to their gold stocks.

Naturally, other factors also

#### TABLE I

Estimated Declared Working Profit of Gold Mining in the Transvaal June, 1949-June, 1950

	Total	Per Ton
Month	(£ 000)	Milled
June	1,964	8s. 3d.
July	2,039	8s. 4d.
August	2,028	8s. 3d.
September	4,516	18s. 8d.
October	4,809	19s. 5d.
November		19s. 1d.
December	4,551	18s. 6d.
January	4,653	18s. 8d.
February	4,226	18s. 3d.
March	4,625	18s. 1d.
April	4,267	17s. 8d.
May		17s. 3d.
June	4,422	17s. 6d.

Source: Transvaal Chamber of Mines Monthly Analysis of Gold Production in the Transvaal. The data cover 43 principal mines, certain miscellaneous mines and other districts.

and political worlds. Gold, the 1949, cheapening foreign monies stuff of which in terms of gold and the dollar, money used to have tended to stimulate Ameribe made, is no can imports and to retard foreign buying of American goods. The Korean War and its aftermath in viduals at a the U.S. Federal budget have fixed price, started another round of rising prices and wages in this country The local purchasing power of the dollar has been declining. We are experiencing more inflation of the currency. People are being paid billions of dollars in the aggregate to produce goods which are either put to non-economic military uses by our defense forces or are given away abroad; while only a part of the dollars so paid out at home are syphoned off by the collector of internal revenue.

Some people, no doubt Americans as well as foreigners, therefore, have been growing uneasy about the preservation of the present purchasing power of their dollar funds. Possibly some of the foreign governments which have been taking gold from the United States have been motivated in part by greater confidence in gold than in the dollar. At any rate, gold has lost none of its attractions for window-dressing central bank statements. In such balance sheets the presence of growing amounts of gold stimulates confidence in the local currency. the same token the loss of gold at a time of monetary expansion tends to weaken the prestige of the dollar. All the talk about inflation in the United States, moreover, causes a stirring among gold miners everywhere. Pressed between rising operating costs and a fixed official price for their product as most of them are, they seek government subsidy and a higher

#### African Mining Profits Doubled Since Devaluation

The 1949 currency devaluations, constituting local increases in the official price of gold, greatly increased the profits of gold mining companies in the areas concerned. Of these, South Africa is the most important gold producer. There the 44% increase in the official price of gold has been followed by almost three times as great an increase in the profits of gold have been at work. Since the out- mining. In June, 1949, according break of the Korean War, the to the Transvaal Chamber of U. S. has greatly stepped up its Mines, 43 principal and various other mines had an estimated depurchases of foreign raw mate- other mines had an estimated described and readily identification of the world fund, the Canadian subsidy small sizes and readily identification of the world fund, the Canadian subsidy other mines had an estimated described and readily identification of the world fund, the Canadian subsidy other mines had an estimated described and readily identification of the world fund. purchases of foreign raw materials, thereby putting dollars into the outside world's hands. Soaring the outside world's hands. Soaring the outside world's hands. Soaring the free markets.

small sizes and readily identified the proportion of output eligible for assistance and the rate of assistance and the rate of assistance and the reduced. Payment is to be measured at half the amount by which ton of ore milled, the profit in June, 1949, was 8s. 3d. In June, Canadian Mines Get Lower Price 1950, it was 17s. 6d. Monthly figures are shown in Table I.

period, January-August, 1949:

Official price of gold increased -----Working costs per ton increased \_\_\_ Working costs per ounce increased ... Total profit increased\_\_\_\_ 126% Total profit per ton incr.\_\_ 107% Total profit per ounce incr. 123%

Today gold mining in South Africa is as profitable as it was before World War II (1935-39) and more profitable than it was in the middle 1920s.

#### Gold Production Since Devaluations

Since the currency devaluations of 1949 there has been no substantial increase in the output of sterling area gold mines whereas in the United States and Canada the increase has been appreciable. In Australia, the Gold Coast and Southern Rhodesia mine production of gold has been declining for a number of reasons. Among these are increasing costs, both actual and anticipated: the incidence of progressive taxation; reduction in subsidy payments; decline in the grade or ore; shortages of labor, supplies and equipment and the greater attractions of such soaring commodities as Australian wool, Gold Coast cacao and Southern Rhodesian non-precious metals.

Australian gold production during the first seven months of 1950 averaged \$2,400,000 per month as compared with \$2,590,000 during the corresponding months of 1949 and \$2,620,000 during the whole of in the price in the United States. 1949. Gold Coast gold production during the first five months of 1950 averaged \$1,950,000 per month as compared with \$1,970,000 during the corresponding part of 1949 year 1949. Southern Rhodesia's gold production during the first the whole of 1949.

#### Effects of Korean War

In black and free gold markets around the world the outbreak of warfare in Korea late in June resulted in rising prices for the yellow metal in terms of the U.S. By the end of September they the Bombay market, which is provided with rather incomplete access to the outside world and therefore subject to special conditions, the price at the end of September was below that of the end of May.

gold and two coins—the sovereign and the napoleon - in various markets over a five-month period.

South African gold mining may tablishing a new par value in is greater.

be summarized by the following terms of gold, the Canadian dollar comparison of July, 1950, with the rose in the exchange markets and average of the pre-devaluation consequently became worth more in terms of gold. During the past three years Canadian gold mining has received government subsidy on a complicated basis which has been twice altered. As of Jan. 1, 1950, the amount of the subsidy was reduced; but as of Oct. 1 it was restored to the previous level. Starting Jan. 1, 1951, it will be cut slightly.1 With the rise in the foreign-exchange value of the Canadian dollar, therefore, Canadian gold mines will experience the opposite of the benefit which the 1949 devaluations brought to their colleagues in the sterling area.

Canada's gold output, it may be noted, has been increasing. In 1949 it was about 45% above the 1946 level; and in the first half of 1950 was about 55% above the 1946 level. The subsidy accounts for only part of the larger output. Other factors have been the lifting of wartime government limitations on mining, Dominion and provincial tax concessions, and increased labor productivity.

#### Is There Enough Gold?

During the great depression of the 1930s many persons blamed conditions on inadequacy of the gold supply. Today, when just the opposite condition characterizes commodity price changes, the gold stock is again being called inadequate. The stock is regarded by many as inadequate not only in the countries which have little of the yellow metal, but in the world as a whole. This "inadequacy," it is frequently suggested, can be overcome by an increase

'The Times" of London on Oct. 9, 1950, discussed-in an article, "The Value of Gold Reserves"the increase in Britain's gold reserves during the year since the and \$2,030,000 during the whole 1949 devaluation of the pound and their "inadequacy." On Oct. 3 the then Minister of State for seven months of 1950 averaged Economic Affairs (and now Chan-\$1,470,000, as compared with \$1,- cellor of the Exchequer) Hugh 580,000 during the same months Gaitskell revealed that Britain's of last year and \$1,540,000 during gold and dollar reserves had recovered from \$1,425,000,000 in the third quarter of 1949 to \$2,750,-000,000. But these reserves are "far too low," Gaitskell declared: (a) in terms of purchasing power, (b) in relation to total sterling-dollar turnover, of which "a normal prewar proportion was two or three dollar. As American armed forces times as high as the proportion gained the upper hand on the today," and (c) in relation to peninsula, gold prices subsided. Britain's short-term liabilities, which before the war seldom exwere in general only moderately ceeded the level of the reserves above the pre-Korea levels. In and now are still nearly four times the reserves.

To all this "The Times" writer observes that in 1937 the United Kingdom's reserves were about \$4,000,000,000 and that on the basis of Mr. Gaitskell's assumptions Britain today would need not Table II shows the price of bar \$2,750,000,000 but \$10,000,000,000

Centinued on page 32

be measured at half the amount by which production costs exceed \$22, with the production costs exceed \$22, with the maximum amount of assistance reduced to \$11.50 per ounce. The subsidy will be paid on one-third of the current output of the mine receiving this assistance, or on the excess of current output above to the paid of the mine receiving this assistance, or on the excess of current output above to the paid of the mine receiving this assistance, or on the excess of current output above to the paid of the mine receiving this assistance, or on the excess of current output above to the production costs exceed \$22, with the maximum amount of assistance reduced to \$11.50 per ounce. The subsidy will be paid on one-third of the current output of the mine receiving this assistance, or on the excess of current output above to the production costs exceed \$22, with the maximum amount of assistance reduced to \$11.50 per ounce. The subsidy will be paid on one-third of the current output of the mine receiving this assistance, or on the excess of current output above to the production costs exceed \$22, with the maximum amount of assistance reduced to \$11.50 per ounce. The subsidy will be paid on one-third of the current output of the mine receiving this assistance, or on the excess of current output of the mine receiving this assistance, or on the excess of current output above to the mine receiving this assistance, or on the excess of current output above to the mine receiving this assistance, or on the excess of current output above to the mine receiving this assistance, or on the excess of current output above to the mine receiving this assistance.

#### TABLE II

END OF MONTH PRICES OF GOLD IN VARIOUS WORLD MARKETS (In U. S. dollars per fine ounce at free or black market exchange rates)

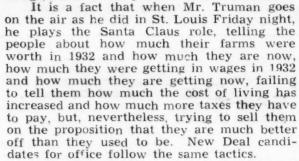
	Bar Gold			Sovereign				Napoleon							
Market-	May	June	July	Aug.	Sept.	May	June	July	Aug.	Sept.	May	June	July	Aug.	Sept.
*Alexandria	42.51	45.80	45.52	43.80	43.80	51.72	53.91	55.38	53.43	54.77	48.45	49.22	51.99	49.99	49.99
Beirut	36.51	38.05	39.14	38.99	38.99	44.02	45.06	45.26	47.10	48.23	42.98				
*Bombay	66.25	64.12	63.80	63.31	62.65										
Brussels						43.10	48.14	55.34	48.89	50.79					
Hong Kong	37.31	43.94	44.59	41.52	38.30										
Macao	37.88	44.07	42.17	40.91	38.51										
Milan	38.19	40.86	40.60	39.77	39.86	43,35	47.27	49.58	49.94	50.66	45.13	46.78	53.16	49.94	50.39
New York	36.25	37.00	38.75	38.05	38.05										
Paris	38.48	41.96	43.39	41.22	41.50	42.60	46.99	49.77	49.44	51.27	45.50	50.43	53.43	51.16	52.15
Tangier	39.19	40.06	41.08	41.28	41.28			46.70	51.86	53.44					
®Computed	at offic	ial rate	of exc	hange.											

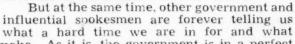
## From Washington Ahead of the News

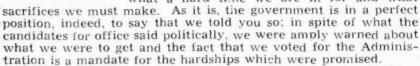
 $\equiv$  By CARLISLE BARGERON  $\equiv$ 

One of the most interesting, if not the most amazing studies, currently, of the American people, is that the successful politicians, those in office, are constantly telling them what trouble and hard times they are in for. This is something few govern-ments dare to tell their people. Usually they

are trying to sell them a roseate picture of things, either of the present or of the future.







Carlisle Bargeron

I can remember when the successful politician was mostly the fellow who voted for all appropriations and against all taxes. But nowadays, notwithstanding that the New Deal candidate on the stump may be telling you that his party is the way to peace and prosperity, Secretary of the Treasury Snyder or Secretary of Commerce Sawyer or even the official economists of the Administration will be telling you how we have got to tighten our belts, lower our standard of living and make sacrifices.

The government, indeed, no longer approaches the matter of increased taxes apologetically. It poses the amazing proposition that taxes must be increased, not with a view to raising revenues to run the government (for taxes have long since ceased to meet those requirements), but to siphon off your savings, the expression that Henry Morgenthau gave to our language. The common people who are glorified in one breath are told in the second that they aren't capable to handling their money; they do not know how to spend it and therefore it must be taken away from them in order to prevent inflation, a very heinous thing which their bureaucratic guardians deplore and will protect them against, these common people whom these bureaucrats love and are determined to look after their welfare.

It is truly an amazing situation, but it does not stop there. The introduction of instalment buying in this country many years ago was an extension, for better or worse, of the credit system to the general public. Certainly it was responsible for our mass industries and the tremendous industrial employment which we have come to have. Well, this same government which is so sympathetic to and conscious of the common people, as distinguished from the Republicans who are tools of Wall Street, does not hesitate to say to these common people-now, tut, tut, we must curb your credit because you are not smart enough to

I can recall as late as the Roosevelt-Willkie campaign of 1940 when Roosevelt was promising that we would have our butter and guns, too; that our production of guns, indeed, would not reduce our soft living in the slightest. This seemed to annoy Willkie no end and by way of being an unusual candidate for office, a man who was not afraid to tell the people the truth, he contended that Roosevelt, in effect, was a fake. He was telling the people that the impossible could be accomplished.

Well, we have moved forward a lot since them. Now our politicians, not those out on the stump and directly facing the voters, but our higher officials in Washington, seem to get a holy glee out of telling the people the hardships that are in store for them: more taxes, less goods, more boys drafted.

To listen to these gentlemen, in fact, there seems not much to live for: the atom bomb is liable to be dropped upon us at any time, our very existence is forever in jeopardy. What should be of concern is that this has come to be the popular approach to winning votes and favorably influencing the citizens.

It is not confined, either, to the National Government. The governors of the States and the little county and city managers have a way of telling you with braggadocio that you haven't seen anything yet, that you have got to pay more county and city and State taxes; indeed, that you have been backward in the past and have not been doing your civic duty by way of modern schools or of modern officials. In the 15 years I have lived in my present home, a suburb of Washington, I have never seen a policeman or the fire department within 15 blocks of that home, but my taxes are being constantly increased to improve those services as well as for other services which I never get.

#### With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE) ST. LOUIS, Mo. - Velma E. Gentry has been added to the staff Cleve has joined the staff of Tal-

#### Joins Talcott, Potter

(Special to THE FINANCIAL CHRONICLE) CHICAGO, Ill.-Gilbert H. Van two years the entire industrial

## The Rising Sun of Japan

By WILLIAM H. DRAPER, JR.\* Vice-President, Dillon, Read & Co., Inc.

Mr. Draper, who studied Japanese economic conditions as Under Secretary of War, reveals remarkable progress in last three years in that nation's efforts to become self sustaining. Points out Japan's budget has been balanced, and even though trade with China greatly reduced, country is now paying its own way. Says time has arrived for peace treaty with Japan.

Two years ago I had the honor production of the country has

Under Secretary of Army, I had gone to Japan with your Chairman and m y g o o d friend, B o b Loree, with Percy Johnston, head of the Chemical Bank, and with Paul Hoffman,

William H. Draper, Jr.

before he took over Europe's economic problems, all to study the economic aspects of our occupation. I told you then of the problems of a defeated and devastated Japan—her 80,000,000 people crowded on four islands the size of California, her empire gone, her population in a desperate struggle for bare existence. For three years the threat of actual starvation had hovered like a ghastly specter over her people. American relief shipments of wheat and cotton alone had kept her population alive and her industries turning over. A spiraling inflation threatened to destroy Japan's currency and to bring on economic catastrophe. Wages had increased 15 times and wholesale prices had increased 27 times in the three years since surrender. Huge governmental deficits fed the inflation. Low industrial production provided little indeed for the population. Unsettled reparations demands threatened to remove most of Japan's industrial plants and equipment. Industrial exports, the life blood needed to pay for imports of food and raw porting. This was the picture only two years ago.

A month later, in December 1948, our Government issued a balance the national budget and to excellent relations, was dealt with drastic nine-point directive to General MacArthur designed to stave off economic disaster and to rehabilitate the Japanese economy. President Truman personally am very much mistaken, the world clique in Japan cajoled and browprevailed on J seph Dodge to go will hear more of these two Japa- beat their own government into to Japan, to help General Mac-Arthur and the Japanese Government stop the inflation. Mr. Dodge. President of the Bank of Detroit, and formerly President of the American Bankers Association, had laid the groundwork for successful currency reform in Germany, and was probably the best qualified man in the United States for the job. No more difficult task has ever been attempted. However, a few months later, not only was a program worked out; it was actually in effect. The Japanese budget was balanced. Subsidies were reduced. wages and prices were stabilized, and a realistic exchange rate was established. Confidence quickly restored. Our Congress agreed that recovery rather than relief was needed and temporarily increased appropriations to provide raw materials which began to flow into Japan to speed up the industrial machine. Exports increased rapidly. In less than

Gentry has been added to the staff Cleve has joined the staff of Tal
of Slayton & Co., Inc., 408 Olive cott, Potter & Co., 231 South La

Street. - Salle Str

of speaking at 1948 National For- doubled, and total exports have eign Trade Council convention on increased four times. At the same the need for peace and recon- time the standard of living for struction in the people of Japan gradually the Far East. rose to a tolerable level, and A few months many rationing and other controls earlier, as have been eliminated. In a word while many problems still remain, the the basis has been laid for a sound internal and external economy. These favorable developments have had a profound effect on the whole nation. The feeling of hopelessness has gone and today the Japanese people are working happily and industriously to complete the material and spiritual recovery of their country from the physical and moral destruction of the war.

#### Four Men Responsible for Change

Four men are primarily responsible for the miraculous change that has energized and stabilized the Japanese economy so quickly. Two are Americans and two are Japanese. General MacArthur personally issued the stabilization directive and has supported and enforced its objectives without com- patents and their processes, as promise. Mr. Dodge supplied the well as for investment and allibudgetary and financial techniques, and courageously stopped the in- great Japanese companies-let us flation in its tracks despite all opposition. But the program could years never have been successful with- found Japan an isolated and meout the continuous cooperation of dieval people. In 60 or 70 years, the Japanese Government, which had to enforce the drastic and tural resources and limited expemuch criticized Dodge Line, as it rience, had become a great indus-The Prime Minister Shigeru Yo- East. Japan learned quickly the firmly behind the sound but harsh actions that had to be taken. And She adopted the corporate busiinflating the country's credit capital plants and equipment. She materials, were only one-eighth clining and panicky stock market, guarded her credit jealously, enough to make Japan self-sup- without flinching. Mr. Yoshida Nearly every American company has shown the statesmanship and which dealt with Japan or held a and both of them the courage, to pany before the war develope stabilize prices and wages in a able business. period of huge deficits and of tempestuous inflation. Unless I ing Pearl Harbor the militaris nese statemen.

A Stable Economy

A few months ago when I visited Japan again, I found a stable economy, a higher standing of living, growing exports and a lessened need for American appropriations. I also found an active desire in both governmental and business circles for American industrial cooperation, for the latest American machinery and techniques, and for American investment capital. As evidence of this desire, the Japanese Government has recently enacted a foreign investment law which guarantees the free transfer of interest and dividends on approved investments into dollars, and provides for payment in dollars of fees and royalties for useful technical processes and patent rights. A new tax law reduced corporation taxes to 35%, and reduced personal income tax on foreign residents to approximately the American level. Last January exports and imports were freed from SCAP controls, and the Japanese have returned foreign trade to private hands. State trading has been replaced by private enterprise. A tight foreign exchange control and license system is still maintained to assure stability of the yen currency and to provide the dollar exchange to service new foreign investments. The government's dollar resources have been growing, and are now more than three hundred million dollars.

In considering Japan as a potential opportunity for our own industrial corporations—both for realizing on their know-how and their ance with one or another of the look at the past. Only a hundred ago Commodore Perry the Japanese people, with few nawas called, upon its own people, trial nation—the workshop of the shida, a great statesman and leader complicated techniques of spinof his people, maintained and even ning and weaving textiles, and increased his prestige by standing soon was producing steel, copper, aluminum and basic chemicals. last, but by no means least, the ness structure of the West, and Japanese Minister of Finance, Ha- funneled the nation's savings at an yato Ikeda, bore the brunt of dis- unbelievable rate into building structure, accompanied by a de- borrowed abroad sparingly and Mr. Ikeda the technical capacity, stock interest in a Japanese comin good faith, and enjoyed profit-

Then, during the decade preced-

Continued on page 24

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## **Evaluating Common Stocks**

By AUGUST HUBER Research Analyst, Spencer Trask & Co.

Members, New York Stock and Curb Exchanges Mr. Huber maintains basic yardsticks provided by past experience makes evaluation of common stocks more simple task than public realizes. Says prime consideration revolves around earning power and its future prospects as affected by taxes and other pertinent considerations.

believe that an aurora of mystery mined. Any uncertainties with surrounds the forecasting of fu- regard to taxes are clearly minor. ture common stock values and

prices. Actually, no clairvoyance is required and the process of evaluating stock prices is, after all, a relatively simple matter.

To begin with, the procedure is not complicated, although it apparently appears so to the layman. The

first consideration revolves around earnings. With regard to these, it is merely necessary to estimate what the future sales volume of a corporation may be and then determine the operating profit margin which may be realized. These tend to fluctuate somewhat due to such minor details as the cost of raw materials, the extent of labor's demands for higher wages, the efficiency, or lack thereof, of plant facilities, etc., and then whether the higher costs can be passed on to the consumer in the form of higher sell-

August Huber

ing prices.
When these simple factors have been ascertained or estimated, there may be a modest complication arising from the slight uncertainty as to what extent government preparedness orders may cut into the company's production of its normal civilian lines. Why this should seem an insurmountable problem to some people is rather difficult to understand since one simply needs guess what the extent of the government business may be and then determine what profit the government tion. This is all simplified conas everyone knows, are always clear-cut, to the point, and, of course, unchanging. Thus, a definite pattern can be set, and unalterably followed, making the forecaster's task a comparatively easy one.

#### Matter of Corporate Taxes

Fortunately, at a time like this, the investor has the advantage of only minor uncertainties con- return of 2.8%. fronting him on that score. All to be worked out - such as profits taxes; whether only a perthe base period, although the lat- other-as the case may be.

There are evidently those who ter itself remains to be deter-

#### **Estimating Future Earnings**

Having progressed to this point, the simplicity of evaluating a stock is undoubtedly already becoming apparent. Since a fundamental measurement of common stock value is the earning power, it therefore follows that by determining future earnings—and there is nothing complex about this as already outlined—these estimated the current price of the stock. It can then be easily seen whether the shares are currently too high or too low.

price in relation to earnings in prior years. We may use as an example, General Motors, a first line quality stock which possesses all the necessary qualifications.

General Motors is currently New York 4, N. Y. selling around \$50 per share. Earnings for 1950 should approach \$10.00 per share. The stock times earnings. That no real dif- 5, N. Y. ficulty in market appraisal is here involved is immediately apparent from the record. We find that at one point last year General Motors shares sold at a price 3½ times 1949 earnings. On the other hand, this was slightly different in 1946, when the same stock sold as high as 45 times the earnings of that year. While this may be a trifle confusing, greater clarification may be afforded by a prewar period. Thus, we find that at one point in 1936, the stock sold at 6 times earnings; in 1938, 21 times and, in 1939, back to 9

Perhaps it is the dividend and rield which actually determine may allow on such armament the investor receives in dollars business after contract renegotia- and cents. The yield and dividend will offer a better guide. General siderably because the plans of Motors' possible 1950 dividends Circular—Homer O'Connell & Co., the Federal Government agencies, may total \$5.00 per share. At a price of 50, this is a handsome 10% yield. This obviously is a definite starting point. No trouble here in fixing a market price valuation—simply relate this and judge it in accordance with past 5, N. Y. yields on the shares. At one point last year, General Motors sold to yield 15.4%. In 1946, the shares The matter of corporate taxes reached a price where the yield then enters into the equation. It was 2.8%. The prewar period is is generally agreed that these do equally enlightening and benehave a tendency to affect the ulti- ficial to the forecaster — in 1937 mate net profit of a company, the yield at one time was 13.4%, and the following year-1938-General Motors sold to afford a

All this may tend to create some that Congress has as yet not confusion in the minds of a laydetermined is whether or not man. To the "expert" of course, there will be an excess profits tax this poses no problem whatever. levied against corporations. In this No new problem, that is. If this regard, only a few details remain brief outline has successfully shown, in a rough way, that there What years, if any, will be used is actually nothing complex in "base" for such excess evaluating a common stock, it will have served its purpose. Anycentage of such average earnings one can do it if they just know may be used or if the total may how to apply the proper reasoning be allowed; also should different and rules. Thus, with all the mysindustries receive special con- tery effectively removed and the sideration because of "growth" or, necessary data available, anyone as to the "utilities," because they can determine the value of a comare already government regulated; mon stock—at least as well as the whether the "base" earnings may next fellow. Just be careful, too, be taxed 45% or possibly 50%, to recognize that during a period and also what tax rate will apply of "inflation," the market may be to earnings that are in "excess" of influenced in one direction or the

### Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

ton 9, Mass.

Deflated Utility Stocks-Analysis-Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y. Also available is an analysis of American Express Company.

Natural Gas News-Brief data on 18 companies-Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Natural Gas Production Companies — Analysis as a hedge against inflation and a participation in a growing industry-Blair, Rollins & Co., Inc., 44 Wall Street, New York 5, N. Y.

Over-the-Counter Index-Bookearnings can merely be related to let showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirtyfive over-the-counter industrial This can best be determined stocks used in the National Quofrom the past record which will tation Bureau Averages, both as show how the stock has sold in to yield and market performance over an eleven-year period-National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

> Railroad Securities-Analysis-H. Hentz & Co., 60 Beaver Street,

Switch Suggestions — Bulletin Oppenheimer, Vanden Broeck & is, therefore, selling at about five Co., 40 Exchange Place, New York

> Top Layer Income-Discussion of municipal bonds as protection against higher taxes-Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, La.

> > . .

Amerex Holding Corp.—Memorandum — New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Also available is a memorandum on American Express Co.

American Express Company-Bulletin—Abraham & Co., 120 Broadway, New York 5, N. Y.

Argo Oil Corporation - New the value. After all, this is what analysis-Russ & Co., Alamo National Building, San Antonio 5,

> Associated Transport, Inc. -Inc., 25 Broad Street, New York 4, New York.

Christiana Securities Company -New bulletin-Laird, Bissell & Meeds, 120 Broadway, New York

Eastern Air Lines-Analysis-Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

International Hydro-Electric-111 Broadway, New York 6, N. Y.

Maryland Drydock-Circular-J. F. Reilly & Co., Inc., 61 Broadway, New York 6, N.Y. Also available is a circular on Spencer Chemical.

National Tool Company-Special report - Loewi & Co., 225

East Mason Street, Milwaukee 2, Nesbett Fund Incorporated — Bulletin-John G. Nesbett & Co.,

Inc., 25 Broad Street, New York

4, N. Y. Pressed Steel Car-Analysis-McGinnis & Company, 61 Broad-

Republic Natural Gas Company -Analysis-First Southwest Company, Mercantile Bank Building, Dallas 1, Tex.

way, New York 6, N. Y.

mouth Rubber Co.

Seaboard Air Line Railroad Co. —Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a report on Ply-

Steep Rock Iron Mines Limited -Analysis-Otis & Co.. Terminal Tower, Cleveland 13. Ohio.

United States Potash Company Leaflet — Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

U. S. Thermo Control-Analysis Rockwell Manufacturing Com- Street, Boston 9, Mass.

pany—Analysis—Cohu & Co., 1 Also available Wall Street, New York 5, N. Y. Simplex Paper. Also available is an analysis of



#### PITTSBURGH SECURITIES TRADERS ASSOCIATION

The annual business meeting and mid-winter dinner will be held Friday, Dec. 8, 1950, at the Pittsburgh Athletic Association, 5:30 p.m. A very excellent Roast Beef Dinner will be served at 7:00 p.m. The cost of the dinner will be \$6.00 per member and \$7.50 for guests. Cocktails will be served from 5:30 p.m. until 7 p.m.

Edward Kost, A. E. Masten & Co., Chairman of the Nominating Committee has announced the following slate of candidates to hold office for the calendar year 1951:









James C. Lear

Anthony E. Tomasic F. M. Ponicall, Jr.

Earl E. Sweitzer

President: James C. Lear, Reed, Lear & Co. Vice-President: Anthony E. Tomasic, Thomas & Company. Treasurer: Frank M. Ponicall, Jr., Singer, Deane & Scribner. Secretary: Earl E. Sweitzer, E. E. Sweitzer Co., Inc.

Directors: (Two-year term expiring December 1952). Harry J. Steele, Fauset, Steele & Co.; (One-year term expiring December, 1951), H. Sheldon Parker, Kay, Richards & Co.

Any five members of the Association may by petition nominate a candidate or candidates for office. Notice of such nominations must be in the hands of the Secretary at least two weeks before the annual meeting. If no suggestions are received within the allotted time, the Nominating Committee's selections shall be considered unanimously elected.

#### SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN, INC.

The Securities Traders Association of Detroit and Michigan will hold its Annual Fall Party on Nov. 14 at the Detroit Boat Club. Cocktails at 6:00 p.m., with dinner at 7:30. Guest charge

Members of the program committee are: Alex McDonald, McDonald Moore & Co., Chairman; Robert Barnard, Crouse & Co.; William Brown, Baker, Simons & Co.; E. F. Kristensen, Moreland & Co.; Bertrand Leppel, Charles A. Parcells & Co.; Robert Moons, Merrill Lynch, Pierce, Fenner & Beane, and Leslie C. Muschette, First of Michigan Corporation.

#### THE SECURITY TRADERS ASSOCIATION OF NEW YORK

Bowling League standings as of Nov. 3 are as follows: Won Lost Bean (Capt.), Kaiser, Growney, Gronick, Rappa\_\_\_\_\_ Leone (Capt.), Krasawich, Nieman, Pollock, Gavin----8 Serlen (Capt.), Gersten, Gold, Krumholz, Young-----Burian (Capt.), Manson, King, Voccoli, G. Montayne\_\_\_ 10 Krisam (Capt.), Bradley, Montayne, Weisman, Gannon\_ 10 H. Meyer (Capt.), Smith, Farrell, A. Frankel, La Pato\_\_ 9 8 8 Hunter (Capt.), Lytle, Reid, Kruge, Michels.... 9 Mewing (Capt.), Klein, Flanagan, Manney, Ghegan\_\_\_\_ Goodman (Capt.), Casper, Valentine, M. Meyer, 10 H. Frankel \_ Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs\_\_\_\_\_ 11 Donadio (Capt.), DeMaye, O'Connor, Whiting, Work-Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel----

The Jules Bean (Singer, Bean & Mackie) team edged into first place by defeating the Hank Serlen (Josephthal & Co.) stalwarts by one Pin. High game for the evening was 218 by Jack Valentine (Shearson, Hammill & Co.). Vinnie Lytle (Shields & Co.) turned in a 563 high series for the evening.

Continued on page 33

## The Business Outlook

By WOODLIEF THOMAS\*

Economic Adviser, Board of Governors, Federal Reserve System

Federal Reserve economist reviews postwar developments and factors conducive to inflationary trends. Defends use of restraints on building and consumer credits already imposed and says more may be needed. Cites increase in private spending and commercial borrowing, and contends spread between prospective incomes and civilian goods supplied at current prices does not fully indicate the full inflationary potential, since there is a large backlog of private savings. Foresees greater consumer propensity to spend.

drastic revi- in the lower and middle income sion in the groups. magnitude and timing of program. Expansion of this program and the prospect of a continued high level of defense expen-



ditures for many years promise to exert progressively strong pressures on our capacities to produce and on the price structure. These prospects have necessitated a reappraisal of American economic developments and of the economic policies of the government. Consequences of the Korean outbreak were superimposed upon an ecenomy in which demand was already exceptionally strong, in which output of goods and services was above prewar peaks, and in which rising price tendencies were prevalent. The net result, therefore, has been an accentuation and acceleration of the previous trends rather than a reversal of direction.

#### The Postwar Background

In any appraisal of the economic situation in this country, i. is essential to keep in mind that since the war there have been powerful and persistent forces operating to expand personal and business expenditures. Dangers of inflation have almost always been more serious than those of possible deflation. Deferred demands and accumulated shortages resulting from reduced production of civilian goods relative to buying power during the war were an important stimulus to buying in the early postwar period. The most important basis of this underlying tendency, however, was the wartime inflation of incomes and liquid assets. During the war period the availcountry as measured by total their holdings of government seholdings of liquid assets were individuals, with the relatively low income groups possessing substantial amounts-an unusual situation.

The physical volume of producpostwar period was hardly more the best prewar year, and prices automobiles exceptionally great. in general rose by about twothirds. The gross national pro- tinuing—the number of units

Sudden outbreak of war in duction expressed in terms of cur-Korea had far-reaching economic rent values increased to slightly consequences both for this coun- more than two and a half times try and for the world at large, the prewar maximum, It has led to personal incomes increased by a reconsidera- somewhat larger amount and this tion of our income was widely distributed foreign poli- among the population. The bigcies and a gest increases that occurred were

> The growth in population, which was accelerated in the war defense and postwar periods, likewise provided the basis for growing consumer needs. Governmental programs for stimulating housing, providing aid to foreign countries, maintaining a high level of military expenditures, supporting prices of some commodities, and assisting veterans contributed to the maintenance of a high level of income and affected its distribution, although on balance the government maintained a substantial surplus of tax receipts over expenditures. Private credit expansion, which resumed after the war, proceeded at a rapid

> > supply. Under these conditions it is only surprising that the inflation suffered by this country was no greater than it actually turned out to be. It was certainly much less than we had reason to fear.

rate with expansion in loans to

consumers, home owners and

businesses and in holdings of the

securities of State and local gov-

ernments. This credit expansion

added to the already large money

The year 1949 brought an end, at least for a while, to the threat of serious inflation. It was a year of economic adjustment. The adjustments were moderate and healthy, and occurred, moreover, without the serious and farreaching crash that had been so widely feared as the terminus of the boom. To a large extent the slackening in overall expenditures reflected the satisfaction of some deferred demands for both consumers' and producers' durable goods, a shift from sharp expansion to moderate curtailment of inventories, and reaction to some of the price distortions that had developed in the war and postwar periods.

After the middle of 1949 there was a marked recovery in proable money supply in this duction and employment which was still in process when hostilibank deposits and currency, ex- ties began in Korea. The index panded from less than \$60 billion of industrial production, which to over \$170 billion, or by nearly declined from 195 in November, three times. In addition, indi- 1948, to 131 in June, 1949, had viduals and businesses increased risen to a new high level of 200 by June, 1950, with output in curities by well over \$100 billion many lines at or close to capacity. and these holdings were readily Employment was also at an adconvertible into money. These vanced level and the number unemployed in June, 1950, was widely held, by businesses and below the February peak by more than the usual seasonal amount. The labor market was beginning to tighten. With more people employed and hours of work increased, wage payments were at tion of all sorts of goods and a new high, as was the total of services at the maximum in the personal income from all sources. Consumption expenditures were than three-fourths larger than in at a new high, with demand for

The housing boom was conbeing started was about 50% \*An address by Dr. Thomas at the Outlook Conference, Department of Agriculture, Washington, D. C., Oct. 30, 1950. periods of 1948 and 1949. At the

same time business orders were basis for a sustained period of program got under way slowly. increasing. first half of 1950 was particularly tionary excesses. marked for durable manufactures. reflecting heavy demand not only for consumer durables and housing, but also for goods used in expanding plant and equipment. Business inventories again increased.

The widespread boom in this period was being financed in part by expansion of credit. At comthan would ordinarily be expected at that season.

had shown marked increases for three months and were one-third of the way back to the August, 1948, peak. Prices of many basic materials and of building supplies above a year ago in August. had advanced considerably.

whole and strongly inflationary a rapid rate. in such areas as residential con-

The rise during the prosperity with dangers of infla-

#### Economic Developments Since Korean Outbreak

The initial economic reaction For several weeks, scare buying about 5% in the third quartermercial banks, loans on real estate ducers made strong efforts to volume of industrial output rising and loans to consumers continued accumulate inventories and as from its postwar peak of 199 in their rapid growth and loans to they revised upward plans for June to an estimated 213 in Ocbusiness were showing less de-expansion of plant and equip-tober. Increases in industrial cline in the first half of the year ment. Manufacturers' new orders production since June have been As a result of high and rising the postwar period. Orders for and minerals, with all of the three demands, and despite expanding both durable and nondurable major groups exceeding their supplies, wholesale prices by June goods increased sharply with 1940 highs. Output of basic steel Unfilled orders advanced sharply in July and August and were 60%

Consumer buying showed espe-All in all, at mid-June, pros- cially sharp increases. Consumer pects for the remainder of 1950 and mortgage credit showed an appeared to be moderately infla- accelerated expansion and loans 60% tionary for the economy as a to businesses began to increase at

Federal expenditures on goods struction. The 1949 readjust- and services, however, increased ments and prompt recovery, to- only moderately, rising by an gether with available monetary annual rate of about a billion and credit resources, provided the dollars as the enlarged defense

State and local government expenditures advanced only stightly.

nelecting increased buying by consumers and businesses, the gross national product, wnich had been increasing sharply in the to the Korean war was marked. first half of the year, advanced by was heavy, especially of com- an unusually rapid increase. modities remembered to have Concurrently, production also exbeen short in World War II. panded with the Federal Reserve New orders rose sharply as pro- Boara's index of the physical increased in July and August to wicespread among manufactured orders for transportation equip- and nonferrous metals, however, ment doubling from June to July. has been virtually stable at close to capacity since early in the spring. Construction, which had been at a high level, increased further in the third quarter with the total one-third above a year ago and residential building up

> Employment and average weekly hours also rose sharply and unemployment declined to its lowest level since the end of 1948. Tightening supplies of labor, rising consumer prices, and the sharply higher levels of business profits led to widespread increases in wage rates in some industries.

With output and employment increasing and wages and salaries rising, personal income has expanded rapidly and in September was at a peak annual rate of about \$224 billion. The increase from the second quarter of this year was about \$19 billion.

Personal consumption expenditures increased even more markedly. From a seasonally adjusted annual rate of \$185 billion in the second quarter-at that time the highest rate on record-expenditures rose to a rate of over \$195 billion in the third quarter and are currently close to that rate. About half of the increase represented price advances while the other half represented expansion to record levels in real takings of consumers. Increases occurred in many major categories of consumption, with expenditures for durable goods increasing by almost one-sixth.

The increase in consumer outlays came only in part out of Continued on page 28

#### CHANGES IN GROSS NATIONAL PRODUCT AND PERSONAL INCOME

Seasonally Adjusted-Annual Rates

(In billions of dollars)

(In billions	or donars)	Increase or d	lecrease (-).
			1950 from:
Item—	*3rd Quarter 1950	2nd Quarter 1950	4th Quarter 1948
Gross national product—total	\$284.0	\$14.1	\$17.2
†Government, total	42.5	1.1	2.2
Federal	23.5	.9	0.1
State and local		.2	2.3
Gross private domestic in-			
vestment, total	49.0	3.1	2.2
New construction		1.6	4.7
Producers' durable equip-			
ment		3.4	4.1
Change in business inven-			
tories	1.5	-1.9	6.5
Nonfarm only		-2.0	-4.7
#Net foreign investment	-3.0	1.0	-4.0
Personal consumption			
expenditures	195.5	11.0	16.8
Durable goods		4.8	9.3
Nondurable goods		5.0	2.6
Services		1.2	48
Personal income		8.9	10.2
Disposable income		8.1	10.5
Personal saving		2.9	-6.3
*Estimated by Federal Reserve.			
•			

NOTES: (†) Includes purchases of goods and services only and excludes transfer payments, such as veterans' benefits. It includes grants under the foreign aid programs.

(‡) Excludes grants under foreign aid programs.

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November 3, 1950

## International Economics **And National Defense**

By WILLIAM McCHESNEY MARTIN, JR.\* Assistant Secretary of the Treasury

Asserting U. S. has been actively engaged in promoting measures to free international trade from arbitrary restrictions, high ranking Treasury official tells of lessening of "dollar shortage" and improvement in balance of payments of sterling area. Says, despite importance of defense efforts, there is need for aiding underdeveloped areas, and expresses hope cooperating nations will finance defense by adequate taxes and savings.

the National Foreign Trade Council. And, since the Treasury has a similar interest, it is a great pleasure for me to be here today to discuss briefly the impact of current developments on our objectives in the field of international trade.



Wm. McC. Martin.Jr.

For some years now we have worked on the assumption that expansion of competitive-price basis would lead

to the most effective utilization of the resources in manpower and materials of the nations of the be our purpose and creed. Interciples of mutual economic advan- economies. Unless trade is productive

dejectives we are seeking.

Hence, in accord with this basic point of view, the United States Government has been actively engaged in promoting those international measures which would free trade as much as possible from arbitrary restrictions. We have striven for relaxation of exchange controls and import restrictions as rapidly as can reasonably be done, both at home and alroad. We have sought the elimination of regulations which discriminate against United States have maintained that their restrictions on trade and foreign exconserve their resources and foreign exchange, particularly dollars, we have scrutinized these We have recogand have provided governmental concerned. These loans and grants, which have reached staggering proportions in the period since the close of World War II, have been directed for the most part toward economic recovery, or economic development. It is definitely our belief that a healthy world econof more stable financial conditions and improving standards of living.

have as our policy the relaxation has given them considerable maof restrictions so as to permit a terial aid to bring about their ecohigher volume of useful world nomic recovery. Some of these

wowth and development of sound freedom for individual enterprise, tions on current account transactwo-way foreign trade than has we have believed, would result in tions. Our policies, I am sure you a better allocation and use of the will all agree must be dynamic world's resources, and so contrib- and realistic, and adapted to ute substantially to the realization changing circumstances. Up to this of better standards of living for time, the need for trade barriers all of the peoples of the world, and restrictions has been largely This, after all, is certainly our justified on the ground of insufprimary objective. The expansion ficient earnings to pay for neces-

> the most important means of attaining this end.

The unprovoked attack on the priety of economic policies. Republic of Korea brought more important distinction will doubtsharply into focus the problem of less be between defense and noncollective security against aggres- defense activities, rather than besion. In the modern world, those tween the now familiar criteria of countries which value freedom "hard" and "soft" currencies. We have a common interest in resist- must, for example, see to it that ing aggression by countries aim- these vital defense goods do not world trade on an international and national integrity. We recog- aggressors, and that they reach nized our responsibilities in this the places where they will be most direction before Korea, but the essential under our international events of June 25 have greatly af-defense plans. fected the timetable. The freeworld. This certainly continues to dom-loving countries of the world will have a higher priority in the must now include as one of the use of foreign exchange earnings, pational trade must not be thought necessary costs of living the pro- so also it may well be necessary of merely in terms of volume. Ar- vision of more adequate defense to have certain controls over intificially high levels of foreign measures. Other friendly nations ternational transactions in order bade of an uneconomic character must, like ourselves, be prepared to make sure that these requirecan be achieved by subsidiaries, or to devote an important part of ments are satisfied. However, in lend-lease arrangements such as their national income to what is, order to obtain the most efficient were used in the war. What is in effect, buying national life in- production and the highest levels really important is that world surance. All these countries have of output, and in order to help brade should involve the transfer a real problem and the cost of overcome the difficulties created of goods from one country to an- defense measures will impose a by the inevitable scarcities result-other in accordance with the prin- real strain on their national ing from our defense programs,

and capable of earning its way, it the impact of the defense efforts which unnecessarily block the does not truly contribute to the by the United States and the na- currents of world trade, while tions associated with us on the leaving unrestricted the trade in course of international trade and a protected area. Otherwise, not what will be the probable reper- only is injury done of the longercussions on international financial run stability and volume of the and economic policy. The neces- world trade, but we run the imsity for building up armaments mediate risk of stimulating home will increase world trade, though, production of low priority goods to a considerable extent, this in- and thereby diverting resources creased trade will not raise world which could be better used for destandards of living. If we are to fense. produce airplanes and tanks, we necessary but limited controls for shall have to buy more raw ma- defense purposes along with the terials from abroad as well as de- greatest possible freedom in other vote a larger portion of our own trade is needed to gear our interresources to these purposes. Other national economic policies with countries which lack the industrial our international defense plans. exports. And when other countries equipment, or the skills in manpower necessary to provide their defense goods, will have to obtain change controls were necessary to these goods abroad. As a result some countries which formerly an attempt to retain restrictions had a deficit in their trade with for the same inadmissible reasons the United States, or with other countries, will find themselves nized in some cases the necessity with a surplus which they will for assistance, always with the have available either to increase purpose of making the recipients their purchases abroad, or to build stronger and more independent, up their monetary reserves. To some extent, this has already ocgrants or loans to the countries curred even though the defense program is only in its initial

they will not be able to finance ness of the long-run implications necessary purchases abroad from of emergency policies. their own resources of foreign exchange or from their current exomy can exist only on the basis ports. Many countries have been struggling over the last few years to achieve greater equilibrium in their balances of payments and, as We have always continued to already stated, the United States trade and a wider scope for the countries may require assistance if they are to play an effective \*An address by Mr. Martin before the 27th National Foreign Trade Convention, Part in the collective internation—New York City, Oct. 30, 1950.

their contribution to international security than will others. We may hope that there will be few or no countries which will look upon the defense of the free world merely as a means of improving their international position. Such countries would be shirking the reasonable burden which they should bear in assuring their own national security.

#### Major Objectives

I want to repeat that one of the major objectives of the United States international economic pol-No group, I think it is fair to stimulating effects of world comicy has been to secure the relaxa-state, has contributed more to the petition. The resulting greater tion of trade barriers and restricof nondiscriminatory trade on a sary imports, particularly those multilateral basis, through free- from the dollar area. In the pedom of exchange, is simply one of riod immediately ahead it is likely that new standards may have to be applied for judging the proto destroy individual rights get into the hands of potential

> Just as defense requirements every effort must continue to be What we must now consider is made to remove those restrictions Thus, a combination of

> It may, in practice, be hard to judge whether a given restriction is a necessary feature of a defense economy, or whether it is merely for the same inadmissible reasons as would apply under more normal conditions. But it can be expected that the International Monetary Fund and the Contracting Parties of the General Agreement on Tariffs and Trade, which have been constituted as the international bodies for consultation on fair exchange and trade practices, will approach this problem Other countries may find that realistically, and with full aware-

> > Current developments in the trade position of the sterling coun-I have mentioned. It has been gra- military expenditures. tifying, indeed, to see the improved position, in the course of the last few months, of the balance of payments of the United Kingdom and several of the other sterling area countries. Prior to the devaluation of sterling in September 1949, the gold and dollar

## be true that some countries will make greater efforts and sacrifices to protect themselves and make Fiscal Policy as Inflationary Curb

Member, Council of Economic Advisers

Newly appointed Presidential adviser in presenting as twin objectives of fiscal policy: (1) curbing inflation; and (2) stimulating defense production; lays down as means of combating price spirals: (1) higher taxes that will be absorbed by persons intended to bear them; (2) preventing current incomes, past savings and newly created credit from being spent; and (3) holding individual incomes down. Says problem of preventing inflation in defense economy is largely one of unpleasant alternatives, along with equality of sacrifice by all.

tack. Additional appropriations and authorizations for defense and related purposes were approved by Congress in. the amount of about \$17 billion. The rate of defense spending is expected to roughly doubetween ble June, 1950 and



Roy Blough

June, 1951. How much the program will be still further enlarged During the war, the public supis for the future to disclose. Our ported the war effort and the sacthinking should be adjusted to the possibility that such enlargement may be very considerable.

Congress in the recent session. A ments of the defense effort will go tax bill which passed the House far toward making it a success. It in June, with the major purpose is disquieting to see minor inconof reducing excise tax rates, was veniences resulting from steps completely overhauled in the Sen- thus far taken blown up into the ate and emerged finally as an Act appearance of major injustices. which made no excise tax reductions but increased individual and out defense effort, it is not likely corporate income taxes by an an- either that attitudes of wartime nual estimated amount of about intensity can be achieved or that \$4.7 billion. The corporate normal and surfax rate was set at 45% were achieved. This fact poses for income in excess of \$25 thou- a major difficulty for economic ever imposed except as wartime excess profits taxes, and individual income tax rates in each bracket were raised to within 3 percentage points of the highest rates prevailing during World War II. All responsible leaders are talking in terms of a much larger additional tax increase on top of those already imposed. The Congress directed its taxing committees to submit bills providing for an excess profits tax when Congress reconvenes.

The goal of Federal fiscal activity in the defense program is to contribute to national security and is an instrument by which the how to stabilize an economy subject to these inflationary pressures -how to dissipate the pressures harmlessly or, at least, prevent them from damaging the economy.

The economic effects of military expenditures are not a new problem. Throughout the postwar period we have had a defense program which, to prewar eyes, would have looked tremendous. And during the war, of course, we had a defense program enlarged to maximum level. Not since 1939 has either the Federal budget or the national economy been free of tries illustrate some of the points the influence of heavy current

The economic effects of a miliwhat proportion of the economic

The outlook for Federal fiscal power of the Nation must be depolicy has been drastically changed voted to the defense effort. The by the expansion of the defense speed at which the program is program following the Korean at- executed is important speed affects the rigor of the economic adjustments which must be made. A slow rate of growth in the defense program might be matched by the increase in the total productivity of the economy, so that no general cuts would be required in supplies to civilians, while a very rapid rate of rearming would necessitate sudden adjustments and thereby require not only civilian sacrifices but direct and rigid controls. Public attitudes are important because no method of solving the problems of a defense economy can be successful without a large measure of public cooperation. Here is a matter on which all of us can help. rifices and restrictions required by it with great intensity and unanimity. The same patriotic at-Tax action also was taken by titude toward the lesser require-Unfortunately, in a long drawnthey could be maintained if they sand, the highest corporate taxes policy in the defense period in that some stabilizing measures which would be very useful are likely to be unavailable because the public attitude necessary for their successful application does not exist.

#### Problem of Adequate Production

Inflationary pressures are not the only economic problem presented by the enlargement of the defense effort. Another problem is to move quickly toward achieving adequate production of material required for the arming and expansion of military, naval, and air forces, and for civilian defense. welfare in its fullest sense. The In part, this is a problem of stepincrease of defense expenditures ping up production in plants already engaged in producing milieconomic resources of the countary goods. In part, it is a matter try are directed to producing for of reopening plants which have defense purposes rather than for been kept in reserve since the civilian purposes. In the process, war. And in part, it is a matter powerful inflationary pressures of diverting raw materials, plants, arise. The problem now faces us, and labor from civilian to military production. Still another economic problem raised by the defense effort is to increase the total productive power of the whole economy. Production and the capacity to produce are basic sources of both military power and a strong civilian economy. larger the productivity of the economy, the less the impairment of the civilian standard of living required to achieve the necessary defense production. In a full scale war, the military requirements on the one hand and the immediate demands for consumption on the other would so absorb the whole national production that little if tary program depend on its size, any residue would remain to prothe speed of its growth, and the vide new investment and producattitudes of the public. Size is im- tive growth. With the level of deportant because it determines fense expenditure greatly below the levels of full scale war, how-949, the gold and dollar \*An address by Dr. Blough at the 28th ever, there is opportunity to exContinued on page 30 Annual Agricultural Outlook Conference, Washington, D. C., Oct. 30, 1950.

pand productive power, for exam-

ple, through increased investment depression, causing greater social living on pensions and insurance, trous consequences. Any large or solution. If production increases and research.

least in a minor way, to the solu- only way to cure an inflation is would be particularly hurt. Eduing so soon on the heels of the tion of these problems of expand- to prevent it. ing defense production in particular and over-all productive power in general. Government orders and expenditures put the industrial machine to work on defense of inflation? Does it not increase upon them. The distortion of inflation are furnish and trial machine to work on defense of inflation? Does it not increase upon them. The distortion of inflation are furnish and the distortion of inflation are furnish and the distortion of inflation. production. Taxation can furnish our incomes? The increase is comes caused by inflation would the money, which is obviously important, although a lack of tax revenue would not likely stand in the way of spending for defense. Accelerated depreciation · can serve a useful purpose in facilitating necessary plant expansion, but its inequities are such that it needs to be used carefully and sparingly. The growth of the economy in general can be aided in this period through a tax policy that avoids repressing economic incentives, and encourages in- armed forces, millions of persons future of the dollar, with disas- price rises, but it is only a partial vestment. However, increases in investment, while they enlarge future supplies, are made at the expense of current consumption, so that taxes which encourage investment must also discourage consumption if inflationary pressures are to be diminished. This may raise acute problems if consumers generally press for a high and rising level of consumption, and are unwilling to have it reduced. This brings us back to the problem of maintaining a stable economy in the face of strong inflationary pressures. It is in dealing with this problem that fiscal policy can make a major contribu-

Maintaining a stable economy, particularly price stability, is an immediately urgent and immensely difficult task. The problem is essentially one of maintaining a balance between civilian supply and civilian demand. Civilian supply of some commodities will certainly have to be restricted, for example, commodities made of copper, aluminum, steel, rubber, and so on. Civilian supply in general also may have to be reduced if the increased requirements of defense production exceed the rate of growth of the productive power of the economy. Thus, despite total increases in production, the civilian supply cannot be expected to show much increase, and is likely to show

decreases.

Civilian demand on the other hand may be expected to increase. Each dollar of increased production is reflected in a dollar of increased income which, in the absence of preventive measures, is available for spending. Moreover, if consumers expect shortages or rising prices, they may seek to use their savings as a source of spending power, and to borrow for the purpose of buying durable consumer goods and housing. Businessmen, anticipating the increase in governmental and private buying, seek to expand their inventories and enlarge their facilities. All of these elements combined point to demands for civilian goods and services substantially in excess of supply. In the absence of preventive steps, the result would inevitably be price inflation. It is the kind of price rise that would likely become a price spiral, since higher prices would lead to higher wage demands and larger incomes generally, which in turn, would lead to still further demand, higher prices, and so on. There is evidence that this process has already started.

One of the effects of inflation is to serve as a substitute for taxation. The manner in which inflation distributes burdens among the population has sometimes been compared favorably to the distribution of burdens by certain forms of taxation. There is this important difference. Taxes can be reduced when the need for them declines. But once the price and cost structure has become integrated at a higher price level, any effort to achieve a substantially lower price level is likely to result in unemployment and

## Inflation Does Not Increase

losses than the social gains which and other millions receiving sal- continuing rise of prices would because more workers are em-Fiscal policy can contribute, at lower prices would confer. The aries and wages that move slowly be a major blow, especially comtions would face a discouraging World War II. exaggeration of the tremendous purely illusory for the Nation as channel production into unusual a whole and the redistribution of and unsustainable patterns, thus wealth and income that results sowing the seeds for later depres-from inflation is economically un-sion. The money cost of the dedesirable and may be socially fense effort would rise. Public dangerous. Inflationary price rises morale would be deeply shaken would impair the relative and by the shock of a declining value absolute economic positions of of money. There would be danger persons and institutions that eventually - fortunately, in which have relatively fixed in- other countries it has usually been comes or own assets of fixed long delayed—there might be a is often proposed as an important money value. The members of the failure of public confidence in the method of preventing inflationary

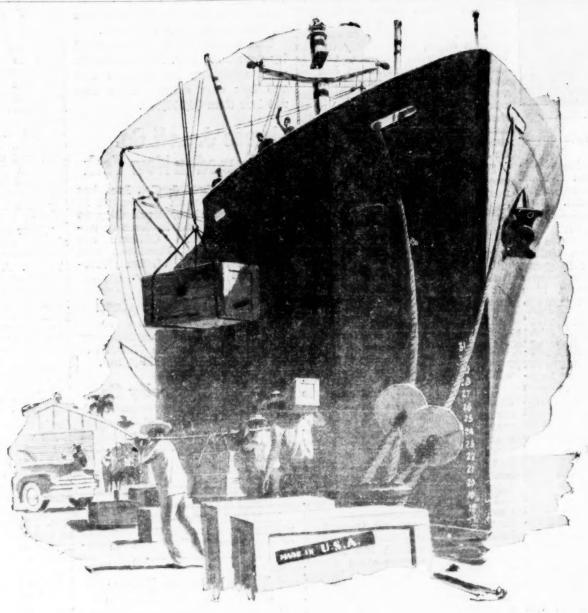
It is imperative, therefore, that there be the strongest possible resolve within the executive branch of the Government, in the Congress, and by the public that ex-tensive inflationary price rises shall not happen again. There must be better understanding of why they happened before. And there must be a willingness for business, agriculture, and labor to see the rosy outlook of rising money incomes fade out into the grimmer picture of hard realities.

ployed or put in longer hours, they receive larger incomes as do the businessmen and suppliers of raw materials. These increased incomes create greater consumer and business demand. But the increase in supply, generally speak-ing, is required for defense and is not available to fulfill civilian demands. Thus, inflationary pressures continue, despite larger production.

#### Methods of Forestalling Inflationary Trends

Aside from expanding production, there are three general methods of forestalling inflation-The increase of total production ary price rises. The first is taxation, which takes money away

Continued on page 23



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## **Obstacles to United States** Private Investment Abroad

By J. H. MOSELEY\*

Vice-President, Ebasco International, Inc.

Mr. Moseley lists obstacles retarding flow of U. S. private capital to foreign countries as: (1) unfavorable investment climate; (2) U. S. income taxes on foreign investments; and (3) double talk about private enterprise. Urges Federal Government take action to remove these obstacles.

Three obstacles retarding the

mate in some countries; (2) United States income taxes; and (3) double talk about private enterprise by both our own government and som e foreign governments - by this is meant lip service supporting private enterprise and actions discouraging private enter-



prise. (1) Unfavorable investment cli-

mate in some countries: I shall not discuss this point except to say that it is highly important.

(2) United States income taxes: consideration to United States tax credits, let's assume the United States 1951 income tax is going to take 50% of corporate income before United States taxes. If a United States corporation pays 6% dividends on its equity capital, you will see that, in order to have 6% to pay to its stockholders, it must earn 12% in a foreign productive enterprise before paying United States taxes. The individual person in the United States who advances such equity capital to a United States corporation will in turn have to pay income tax on his 6% dividends; this reduces the return to the individual, after United States income taxes, paid by the corporation and then paid again by the individual, to 4.8% or less, depending on the tax bracket of the individual. Just why should any United States investor risk his money in a corporation whose business is wholly outside the United States, for a net return of 6% before paying his individual income taxes, when he can get the same return by buying securities listed on the New York Stock Exchange?

that such an incentive would cre- the government service. ate a tremendous push of United States private capital into foreign

Then why is not this simple course taken? The State Departto be in favor thereof but the Treasury Department is consistently opposed to any such action. simple and direct. Companies who are already interested in foreign countries have to provide new alternative being possible loss of a part or all of the present investments. But other companies that do not have to make new investments to protect their present ones are keeping their money at home.

\*Remarks by Mr. Moseley at the For-ign Investments Session of the Thirty-Seventh National Foreign Trade Convention, New York City, Oct. 31, 1950.

This taxing policy is making the flow of United States private problem of foreign investment capital to foreign countries are: more difficult. In order to imple-(1) unfavorable investment cli- ment its announced policy of trying to assist economic development in underdeveloped foreign countries, our government is finding it necessary to provide funds in ever-increasing amounts through such agencies as the Export-Import Bank and the International Bank. Understand, I am not objecting to these loans where they are economically sound. In certain cases, particularly due to bad investment climate, this is the only way that funds can be obtained. However, where the investment climate is bad, the least our government should do is to insist on improvement as a condition to making such loans. In many cases this is being done. It has to be done most tactfully.

Such investments are all taxexempt because they are government money. Private enterprise can be encouraged and helped if such loans are made to private For simplicity and without giving corporations on a sound economic basis instead of directly to foreign governments. This is also being done in many cases. In such cases United States income taxes are not a hindrance because the interest paid on such loans is a good deduction for United States income tax purposes. But this does not solve the problem of equity funds, so please do not confuse my previous statements on income tax with interest on this type of loan.

(3) Double talk about private enterprise by both our own government and some foreign governments: There are many fine officials in our government who firmly believe that the big factor in the development of the United States was the incentive created by what we know as "private free enterprise." These persons sincerely favor the dynamic effects that are produced by individual human initiative—that is, private free enterprise with the reward being in accordance with merit. However, there are some in our government who do not have such beliefs and are inclined to favor a society where the state is allpowerful. Many of the latter type investments were made completely work hard to promote their idea. exempt from United States income Because of this fact and because taxes, earnings of 12% in a for- of political decisions which from eign country would still be 12% time to time seem contrary to a to the United States investor in- sound policy, those favoring pristead of 4.8% or less. Is there vate enterprise become discour-

Let the United States Government remove from private United States capital the burden of taxation when such capital is employed in productive enterprise in foreign ment in recent years has seemed countries. Let the United States Government formulate some deep convictions on the benefits of private free enterprise in such for-What is the result? The answer is eign countries and consistently support such convictions. If these two things are done, the need for the United States Government to funds or reinvest earnings, the make loans will be reduced or be restricted to:

- (a) loans to private corporations on a sound business basis, 5 East Market Street.
- (b) loans to assist highway, sanitation, education or other projects which are governmental in character.

Action by the United States Koestler is now affiliated with government in these directions Waddell & Reed, Inc., of Kansas will, I believe, help to create a City, Mo.

better investment climate which has already been mentioned as one of the most important factors in creating a bigger flow of private capital to foreign countries.

## Halsey, Stuart Group Offers Chic. & Eastern III. Equip. Trust Cifs.

Halsey, Stuart & Co. Inc. and associates on Nov. 3 offered \$3,-270,000 Chicago & Eastern Illinois RR. Co. 23/4 % equipment trust certificates, series H, dated Dec. 1, 1950 and maturing semi-annually June 1, 1951 to Dec. 1, 1965, inclusive. Issued under the Philadelphia Plan, the certificates but what hapare being offered subject to award pens to the and approval of the Interstate Commerce Commission at prices to yield from 1.70% to 2.95%.

The certificates will be secured by four 1500 H.P. Diesel-electric road switching locomotives and 700 box cars estimated to cost not less than \$4,100,000.

## James J. Leff Co. Formed in New York

James J. Leff & Co., Inc., has been formed with offices at 50 Broad Street, New York City, to act as dealers and brokers in unlisted securities. Officers are about your appointment and James J. Leff, President and everybody in school knows about Treasurer, and M. W. Leff, Vice-President and Secretary

#### With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE) MORRISON, Ill.-Roy Hammer is now associated with Waddell & Reed, Inc., of Kansas City, Mo.

#### With F. S. Moseley Co.

(Special to THE FINANCIAL CHRONICLE) INDIANAPOLIS, Ind.—Charles M. Harrison, Jr., has been added to the staff of F. S. Moseley & Co., not need to be told the history or Circle Tower.

#### With Investment Service

(Special to THE FINANCIAL CHRONICLE) DENVER, Colo.-Philip C. Edmunds has been added to the staff of Investment Service Corpora- forms of direct or indirect contion, Security Building.

#### With Norman Dacey

(Special to THE FINANCIAL CHRONICLE) BRIDGEPORT, Conn. - Meredith E. Morgan is with Norman F. On the other hand, if foreign are enthusiastic crusaders and Dacey & Associates, 955 Main sioned to preserve.

#### With Cooley Staff

(Special to THE FINANCIAL CHRONICLE) HARTFORD, Conn. - Edward the general public. anyone here who will not agree aged and, as a result, tend to leave Biernacki is connected with Cooley & Co., 100 Pearl Street, members of the New York Stock Exchange.

#### Joins Barnes, Bodell

(Special to THE FINANCIAL CHRONICLE) NEW HAVEN, Conn.-James D.

Barnes, Bodell & Goodwin, Inc., 257 Church Street.

#### Thomson, McKinnon Adds

(Special to THE FINANCIAL CHRONICLE) INDIANAPOLIS, Ind.—Dorothy Farmer has been added to the

#### With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE) CLINTON, Iowa-Leonard A.

## To Halt Inflation Is Everybody's Job

By ALAN VALENTINE\*

Administrator, Economic Stabilization Agency

Recently appointed Economic Stabilizer, in pointing out progress of inflation, warns direct price and wage controls may be ineffective and calls for new program that will last for years and at end still leave the economy productive, stable and free. Says present task to curb inflation is more difficult than under OPA, and calls for more public cooperation, since "to halt inflation is everybody's job."

There is a real danger in my bad enough. But many of us are talking too much at this point and most concerned with future infla-

except to me; work of this Agency matters a great deal to every one of us. That is why you must protect me if I say anything I shouldn't, even against the ire of my children. The first and only

letter I have



Dr. Alan Valentine

received from my 13 year old daughter at boarding school near Philadelphia begins as follows:

"Dear Father: Mother told me everybody in school knows about it now. A newspaper article has been posted on the faculty bulletin board with the least flattering of your pictures from the Philadelphia Bulletin.' The senior class are the ones that have to know about you because they take current events as a subject and your name has been added to the list of 'Important People in Washington Today' which they have to learn for a test! This has made me very unpopular, so please don't do anything more!"

As women of the press you do meaning of the new agency for economic stabilization. You also know the reasons why I cannot give specific answers now to all the questions you might like to ask. No one can vet know some of the answers, such as just what trols will be needed, and when, and to what extent; and, even if I knew the answers, it is obvious that I could not give you or anyone else any advance hints without the danger of disturbing the economic stability I am commis-

But I can speculate with you, briefly, on some considerations surrounding economic stabilization, not all clearly understood by

#### Inflation Has Been Going On

Inflation has been going on for taking. a great many people. Its dangers eral must be our first effort, are now so obvious that nearly everyone wants the government to do something about inflation, provided that what is done does sacrifice or inconvenience. tion in general must not be perdisagreements are about the naof controls.

Many people are most constaff of Thomson & McKinnon, cerned with the present inflation an important part of my job and -i.e., the present cost of living of yours. to the average consumer. The average increase in cost of living since June is probably considerably less than it seems to the

\*An address by Mr. Valentine before the Women's National Press Club, Wash-ington, D. C., Oct. 31, 1950.

must resist that habit. What tion-what will happen if the happens to me matters very little, trend of prices continues upward at the rate of July and Augustand what will happen when the full effects of our present and future military orders for defense combined with necessary restriction of production of goods for civilian purchase and consequent competitive bidding for those goods are reflected in consumer prices for food, rent, services and clothing.

> Inflation comes from basic economic causes but it also comes from natural human desires. Many Americans have liked some aspects of the inflation of recent years and perhaps profited by them, though only temporarily. A little inflation is nice, if one can afford it, but a lot of inflation is bad for everybody. We must therefore revise our personal desires and recognize that each of us may have to choose between peace and stability on the one hand or a new car, a new television set or a new home on the other. If we all reduced a little our concept of what we must have to be happy, and put the money into government bonds instead; if we all did not expect government to do so much for us and really urged economy in nonessentials; if we were all ready to pay more as we go in terms both of higher taxes and of less credit buying for our personal use-if all of us did all this there would be little need for an Economic Stabilization Agency-and that would be very nice for you and for me!

Those changes in personal points of view; those recognitions of new facts, cannot be achieved by direct controls on prices and wages or by allocation of materials, or by rationing. They are matters of public understanding to which each of you can contribute. Direct controls only restrict or postpone or conceal the effects of inflation: they do not cure inflation. Imposing direct price and wage controls is like tieing the lid on the teakettle; it may be necessary, but the lid will blow off in time unless you also turn down the flame or move the kettle. Any direct controls must therefore be accompanied by more fundamental measures to cure inflation, some of which measures other government agencies are We place our first hope some years, and has long worried in indirect controls, which in gen-

I stress this obvious point because I ask you to miss no opportunity to help make clear how much every American can do to Plunkett is now affiliated with not involve him in any personal help control inflation. Bernard The Baruch said recently that the cure Nation seems agreed that infla- of inflation is really a test of national character. Have we, as a mitted to go farther; the only nation, the character to do what we know we ought to do? Only if ture, extent, incidence and timing most Americans understand clearly how important it is to do it. To convey that understanding is

## Task More Difficult Than Under

Many of you remember the harried housewife, though it is troubled history of price and wage stabilization efforts in the last war. We are trying to learn from that history. Much of our work even more difficult.

OPA operated after Pearl Harbor, in the atmosphere of a nation under military attack. You re-member well the unity and the spirit of determination and sacrifice Pearl Harbor brought. Today we begin stabilization efforts without that second Pearl Harbor which you and I hope will never We begin stabilization efforts near the end of a Korean war victory which gives grounds for false optimism. In this twilight zone which is not peace, but and the fate of its agents lies which is no less dangerous than open war, we lack as yet the team spirit of those months after Pearl Harbor. Many good Americans are not yet ready to make you will have done your country real personal sacrifice to serve in the war against inflation. Must Alaska or Greenland be in enemy hands before many Americans recognize our danger and act accordingly?

There is a second difference from World War II days. Controls established during the last war were expected to be in use only a few years. Agencies setting up those controls had to ask themselves only whether the national economy and the national free enterprise system could operate efficiently under them for three or four years at most.

But this time we need for formulate a program for defense production, not for four years but possibly for much longer. must formulate programs and controls which can if necessary endure over more years and yet which will leave our economy at the end of that time stable, productive and free.

What worked for three years may not work for much longeror might even work too well. We must not exert direct controls which produce as beautiful technical results as those of the young doctor who achieved the perfect operation, although the patient died. We must formulate a program effective for short-term needs, yet adaptable to long-term necessities.

There are other ways in which our situation differs from that of 1941. The economic situation of the nation is different; in 1941 our factories were able to draw on a large reserve of unemployed workmen to meet war expansion. This time (and happily from the social point of view) there is no comparable reserve of unemployed. Competition for skilled labor will become more severe, increasing the tendency toward higher wages, followed by higher prices and another circle in the upward spiral of inflation. It also increases the possibility of more overtime for skilled workers, at higher than normal rates, with the same inflationary effect. Meanwhile, the standard of living for most Americans has greatly improved since 1941. We would maintain those gains, yet their maintenance depends upon higher levels of consumer spending than in 1941, inflationary in influence. These examples indicate that we cannot regard the precedents of World War II as valid guides to be followed under these new conditions. We can neither neglect, nor wholly trust, many of the economic lessons of the last war.

#### To Halt Inflation Is Everyone's Job

One thing is clear-to halt inflation is everyone's job. If we cannot hold the line voluntarily we shall have to do so by other means. But neither this Agency, nor any other under a free government, can maintain economic stability unless the general program has the support of most and demonstration Americans. We shall expect much

should be easier because of the criticism; we will probably de-ground broken by OPA. But in some respects our assignment is our general program must have the support of most of the people Exchange Firms to Mee! most of the time.

The President, in his Executive Order instructed our Agency to 'Inform the public, agriculture, industry and labor concerning the need for stabilization and encourage and promote voluntary action to this end."

I know of no other way this can be done, in a free country, sessions of the Board the Associa- Co. than through the medium of the press, radio, television and related The fate of stabilization much in your own hands. If you and your fellow workers can bring before the American public the real picture of what we face, a great service.

The Board of Governors of the Association of Stock Exchange Firms representing 18 financial communities from coast to coast will hold its annual meeting at the New York City on Nov. 15 and 16. In addition to the regular business Mr. Phelps Witter, Dean Witter &

have been invited. Included in at the Astor Hotel.

the program for the open meeting of the Board will be discussion on such subjects as the activities of the Joint Committee on Education by Mr. Amyas Ames, Kidder, Peabody & Co.; Business and Office Procedure by Mr. Harold P. Goodbody, Goodbody & Co.; New York State Unemployment Insurance by Mr. Bernard E. Pollak, Waldorf - Astoria Hotel in Josephthal & Co., and Regional Public Relations discussed by

tion with hold its annual meeting It is expected that all of the 33 and election of officers and gov- governors of the Association will attend this meeting. It is also The feature of the two-day ses- expected that most governors will sion will be a luncheon and an attend the "Financial Follies" of

## James R. Jackson Is With G. C. McGune

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio - James Roy Jackson has become associated with C. C. McCune & Co., Third National Building. Mr. Jackson was formerly with Reinholdt & Gardner and G. H. Walker & Co. in St. Louis and in the past was associated with the School of Commerce and Finance of St. Louis University.

#### With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE) FT. WAYNE, Ind.-Robert M. open meeting of the Board to the Financial Writers Association Hosfield is now affiliated with which partners of member firms of New York on Friday, Nov. 17, Waddell & Reed, Inc., of Kansas City, Mo.

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India Bombay Calcutta Japan Tokyo Osaka

Hong Kong

Hong Kong

o la Católica Republica Peru Lima **Philippines** 

Manila Port Area Cebu

Mexico

Mexico City

Clark Field **Puerto Rico** San Juan Arecibo

Bayamon Caguas Mayaguez Ponce

Rep. of Panama Panama

Singapore Singapore Uruguay Montevided

Venezuela Caracas ....

#### Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE) KEY WEST. Fla.-Theodore E. Stadig is associated with Waddell & Reed. Inc.



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## Mutual Funds

#### **Investors Group to Finance** \$90,000,000 in California Housing in 1950, Crabb Says

A total of 11,100 housing units National Assets with an aggregate value of approximately \$90,000,000 is being financed this year in California by Investors Diversified Services. Inc. of Minneapolis, Earl E. Crabb, Chairman and President of the Company, disclosed yesterday.

This investment by the Minneapolis firm, largest single factor in the American investment company field, represents nearly 45% of the company's total 1950 nation-wide investment operation in the real estate-mortgage field, said Crabb.

Crabb was in Los Angeles to inspect progress on Lakewood Park, the largest single housing project ever undertaken in the nation. The Investors group, Crabo stated, pioneered the undertaking by providing \$8,800,000 in funds for original acquisition of land Increases \$2 Million between Los Angeles and Long Beach and financed erection of the first 3.518 houses. Other insurance and financing companies have since participated in providing building funds for additional homes.

Ultimately Lakewood Park is planned to accommodate 17,150 homes built to sell for from \$7,-825 to \$9,950, Crabb stated. More than 6.150 homes have been erected or are under construction to date and 1,250 more are scheduled to be started by the end of the year, it was estimated by C. J. Ryan, divisional manager of mortgage operations for Investors in Southern California.

stated, "will continue its longterm policy of making funds available and providing financial assistance for sound, low cost home-building projects, as de-mand develops, within the limitations of current credit curbs."

Prior to his Los Angeles visit, Mr. Crabb spoke Monday night before the Phoenix Medical Society of Phoenix, Ariz.

The President of Investors Diversified Services, Inc., the nation's largest investment company, stated that a new generation of growing up on America's main streets. These, he remarked, are continue to be among the nation's ings and 34.2% in cash. strongest bulwarks against socialism and communism.

#### Fully Administered Reports Position

Group Securities since the "pre-Korean low" in the Stock Market, it was stated yesterday by Herbert R. Anderson, Executive Vice-President of Distributors Group, Inc., sponsors of the fund.

On July 19, when the "averages" were near their 1950 lows, only 25% invested in defensive securities, and 75% was aggressive. As the market advanced, aggressive securities, were sold on balance to a point at which the defensive portion of the fund, con-40%, where it was Oct. 31, 1950.

continue, Anderson stated, the Canada's economic and financial ter & Co.

aggressive portion of Fully Administered Shares will again be gradually increased.

## At New High

The National Semi-Annual Reports as of Oct. 31, 1950, when issued, will show total assets under management at an all time high of approximately \$80,000,000, H. J. Simonson, Jr., President of National Securities & Research Corporation announced.

Sales of National mutual funds for the first six months of the current fiscal year which started May 1, 1950, were the highest for any comparable period-up 126% over the like 1949 period.

Assets of the National Securities Series rose to \$71,986,762.60 on Oct. 31, 1950 from \$62,657,381.78 on April 30, 1950.

## Manhattan Bond

Total net assets of Manhattan Bond Fund were \$32,478,403 on Oct. 31, 1950—the end of the company's fiscal year. Increase in net assets for the year was \$2,639,734. The net asset value per share at 10.7% from the beginning of the vear figure.

The Fund paid to shareholders an aggregate amount of \$1,485,629 in dividends from investment income during the year ended Oct. 31, 1950.

#### General Bond **Assets Increase**

The total assets of General 'The Investors group," Crabb Bond Fund, which is part of the \$70,000,000 Group structure, were \$5,019,672 on Oct. 31, compared with \$4,082,535 on Oct. 31, 1949.

The increase in the 12-month period, which includes both portfolio appreciation and net increase in shares outstanding, is equal to 22.95%. Of this, about two-thirds was due to market appreciation of bonds held for the fund and about one-third to net increase in shares outstanding.

#### Pell, deVegh Reports

assets were \$370,338 on Sept. 30. "little capitalists" is rapidly according to the semi-annual report. The fund, whose operations cently organized open-end mutual began in April of this year, had fund. The increase boosted total the men and women who will stocks, 1.2% in preferred hold- securities on Oct. 31, last, from

#### Wisconsin Reports Large Gains

Net assets of Wisconsin Investment Company totaled \$2,739.985 at Sept. 30, an increase of more reported that 18 of the companies A policy of shifting from "ag- than \$860,000 or 453/4% over \$1,- represented in the fund's portfolio gressive" into "defensive" secu- 879,838 12 months earlier, the of 38 stocks have declared or prorities has been followed by The Fully Administered Fund of second state into account \$132,124 of cash distributions to stockholders during or have done both since Aug. 1,

quarter were highlighted by an companies prior to announcement increase in the cash position, the of either the stock dividends or fund holding 22.7% of its net as- the increased cash payments. sets in cash and obligations of the Cominion of Canada at Sept. 30. Three months earlier the cash po-Fully Administered Fund was sition was 8.8%. The company, which had readjusted its portfolio of an international crisis, noted that an increased cash position of Trade Building. "has become fully warranted in the light of numerous uncertain-

ties which we are facing Holdings of Canadian securities sisting only of cash, U.S. Gov- were gradually increased in the ernments and Aaa bonds, reached third quarter, accounting for about 12% of net assets at Sept. 30. This If the current market declines "improvement in the Dominion of move was made in view of the

position and in anticipation of a change in Canada's monetary policy," stockholders were told.

#### Eaton and Howard **Assets Rise**

Eaton and Howard Balanced Fund assets were \$59,448,675 on Oct. 31, compared with \$50,624,-338 on Dec. 31, 1949. Net asset value per share increased from \$28.87 to \$30.54 over the same pe-

Eaton and Howard Stock Fund reports assets of \$5,756,368 on Oct. 31, compared with \$3,189,671 on Dec. 31,1949. Net asset value per share increased from \$19.38 to \$21.10 over the same period.

#### **General Investors Reports**

General Investors Trust reports net assets of \$2,201,323 on Sept. 30, 1950, compared with \$1,885,640

In a letter to shareholders, the trustees reported that "the need. now of the average investor for satisfactory income is accentuated by the approach of higher Federal taxes and the rising cost of

There have been in the past 20 years, and probably will be in the next 20 years, severe fluctuations in the stock market value of securities. The Trustees attempt to appraise and test the income impairment which may follow and to determine whether or not the income from any one security will the year-end was \$7.74 a gain of continue at its present or higher rate. Collateral to this, of course, is our attempt to prevent holding a security overtime when income impairment is likely due to changing economic and political condi- a statement yesterday. tions. When a major cycle change indicates a general income impairment then our judgment has to include more specifically the be held in the Hotel Astor, Nov. 17. degree of income shrinkage facing a particular class of securities.

"This continuous testing for income yield we consider to be one of our most important functions. Such a basic approach to income over a long period frequently makes possible a considerable degree of appreciation in rising markets and a resistance Co., Inc. against depreciation in falling markets.'

#### Growth Companies Increases 36%

A 36% increase in total net as-Pell, deVegh mutual fund's net sets in the first three months of operation was reported today by Growth Companies, Inc.—the re-\$256,500—all cash on Aug. 1, 1950.

In the same period net asset value per share increased 5.88% to \$9.53 from the initial offering price of \$9 on Aug. 1, 1950.

Dr. John H. Gross, President, the period, Harold W. Story, Pres- 1950. He added that the fund had Portfolio changes in the third purchased the securities of all 18

#### Joins Noyes Staff

(Special to The Financial Curonicle) INDIANAPOLIS, Ind. - Robert in the June quarter in anticipation L. Remmetter has joined the staff of David A. Noyes & Co., Board

#### Joins Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE) CHICAGO, Ill. - Albert S Harnstrom has become associated with Reynolds & Co., 208 South La Salle Street. He was formerly for many years with Talcott. Pot-

## Schram and McDonald To Attend "Follies"





Harry A. McDonald

Emil Schram, retiring President of the New York Stock Exchange, and Harry A. McDonald, Chairman of the Securities & Exchange Commission, will be the guests of honor at the Financial Follies of 1950, the annual dinner and show staged by the N. Y. Financial Writers' Association, Inc.

The cast this year will be the largest since the founding of the association in 1938, according to Joseph D'Aleo. President, who reported that there are 75 members

participating. This enlarged talent pool has made it possible to lampoon a larger number of business and governmental bigwigs, Les Kramer. Circus Saints & Sinners producer and author, and Bruce Evans, Broadway actor, who is again directing the follies, said in

About 1,000 business leaders are expected at the dinner, which will

#### Carl Martinson now With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE) PEORIA, Ill.-Carl A. Martinson has become associated with A. C. Allyn & Co., First National Bank Building. He was formerly local manager for Taussig, Day &

#### Scherck, Richter Adds

(Special to THE FINANCIAL CHRONICLE) ST. LOUIS. Mo.-Hale L. Montgomery is with Scherck, Richter Company, Landreth Building.

CORRECTION

## GROUP SECURITIES, INC. 58th CONSECUTIVE

The following Fourth Quarter dividends from net investment income have been declared payable Nov. 30, 1950 to shareholders of record Nov. 17, 1950.

Funds

DIVIDEND

Institutional Eond	.08
*General Bond.	.09
*Fully Administered	.09
Common Stock	.17
*Low Priced Stock	.05
Industry Classes	
Automobile	.21
Avistion	.12
Building	.15
Chemical	.09
Electrical Equipment	.24
Food	.06
Industrial Machinery	.14
Investing Company	.10
Merchandising	.10
Mining	.07
Petroleum	.11
*Railroad Bond	.03
Railroad Equipment	.06
Railroad Stock	.09
Steel	.10
Tobacco	.08
Utilities	.08
*In addition extra distributions fro	m net s

curity profits will be paid as follows: The General Bond Fund \$.01, The Fully Admin-istered Fund \$.07, The Low Priced Stock Fund \$.10, Railroad Bond Shares \$.01.

## Bank and Insurance Stocks

By H. E. JOHNSON =

#### This Week—Insurance Stocks

A number of developments in the field of investments within the past year have served to attract an increasing amount of attention to insurance and bank stocks.

The liberalization of the laws of New York State governing trustee investments, the passage of legislation permitting Massachusetts savings banks to purchase certain bank stocks in other states and the widespread adoption of pension programs requiring a large investment of funds in various securities including common stocks, are some of the more significant changes and developments which have already occurred in this field.

This increased interest, particularly in the institutional type of common stocks has resulted in a number of the large investment houses publishing studies on the characteristics, operations and fundamental position of the bank and insurance industries

and the leading companies in each group. In this connection Kidder, Peabody & Co., 17 Wall Street, New York, N. Y., have recently published a report entitled "The Merit of Fire & Casualty Insurance Stocks." The study discusses the underwriting and investment operations of the insurance industry and includes pertinent facts on 25 of the major companies. Also, the report points out that insurance stocks are recognized as quality investments and because of the adoption in New York of

ated insurance shares should tend to expand. In addition to a discussion of the various factors influencing the insurance business, the characteristics of operations, the growth nature of premium volume, and the wartime and excess profits tax experience, the dividend record of the different companies

the "Prudent Man" investment principle, the market for well situ-

is reviewed. With investment managers constantly in search of higher yields than are currently available on bonds with a minimum increase in the risk, the long and stable dividend records of insurance companies are expected to receive increasing attention.

Thus one of the most interesting and significant tabulations included in the report is that pertaining to the record of dividend payments. We present this table taken from the Kidder, Pcabody & Co. report below:

Labour	a C	o. report below.					
					16		
				†1949	1949		
Divs. Paid	No. Y	rs		Net	Invest.	Approx.	
Without	of Cor	1-	Indic.				
Interrup-	secuti	ve	Div.	Income		Price	"
tion Since	Divs		Rate	(Per Sh.)			Yield
1908		Aetna Cas. & Surety				101	3.0
1873	77	Aetna Insurance	*2.00	3.58		571/2	3.5
1934	16	American Automobile	2.00	2.28	88		
1373		Amer. Insur. (Newark)					
1875	75	Boston Insurance					
1934	16	Continental Casualty					
1853	97	Continental Insurance_				63	3.2
1929	21	Employer's Group					4.1
1910	40	Fidelity-Phenix					
1858	92	Fire Assoc. (Phila.)					
1937	13	Firemen's (Newark)	0.60	9 94	27	211/2	
1836	84	Glens Falls	2.20	2.59	85		4.6
1873	77	Great American	1.20	2.21	54	301/2	3.9
1873	77	Hartford Fire			57	126	2.4
1874	76	Home Insurance			68	35	4.6
1374	76	Insur, Co. of No. Am		7.05	50	119	2.9
1948	2	Maryland Casualty	0.80	1.44	56	20	4.0
1872	78	National Fire	2.50		60	61	4.1
1934	16	National Union Fire		2.75	58	3412	4.6
1937	13	New Amsterdam Cas	1.50	3.65	41	37	4.1
11.74	76	Phoenix Ins.	3.00	4.62	65	7912	3.8
1872	78	St. Paul F. & M.	3.00	5.36	56	105	2.9
1866	84	Springfield F. & M.	2.00	2.86	70	44	4.5
1941	9	Standard Accident	1.60	2.22	72	3512	4.5
1892	58	U. S. Guarantee	2.80	4.04		84	
Avg 25 Cc	s. 55				60		3.8
					20		20100

\*Excludes possible year-end extra. \*Investment income less investment

As shown above, over one-half of the 25 companies have records of dividend payments of over 50 years. Fourteen have maintained payments for at least 75 years.

Another significant fact snown in the tabulation is that only 60% of the 1949 investment income is absorbed by the indicated dividend payments. No consideration is given to the underwriting profits in the above table, but as revealed in other figures in the report they have been favorable.

Another of the interesting groups of figures presented in the study is that pertaining to the investment policies of the different companies. This tabulation shows the distribution of assets at the end of last year as between bonds, preferred stocks, common stocks, etc. The table reveals, for example, that Fidelity-Phenix had 43.5% of its assets in common stocks, the largest amount of any of the companies discussed, whereas Hartford Fire had only 11% in common stocks and 47.8% in U. S. Government securities. Similar figures for the other companies are presented in the

### Christiana **Securities Company**

We have prepared a new Bulletin which we will be glad to supply on request.

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The Bank conducts every description of bonking and exchange business

Trusteeships and Executorships also undertaken

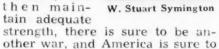
## "We Will Win Fight Against Inflation!"

By W. STUART SYMINGTON\* Chairman, National Security Resources Board

Pointing out worst enemies of our democratic institutions are inflation and communism, chief executive of economic mobilization expresses hope fight against inflation can be won with minimum of direct controls, coupled with appropriate fiscal and credit policies. Says, however, if inflationary pressures demand it, direct controls will be imposed. Denounces artificially restricting output by industrial concerns for purpose of opportunity profits, and lauds restraint of leading auto producer in holding to present car prices. Warns wage earners of wageprice spiral.

been in military combat, and the controls, including self-control. tragic events in Korea nave never-

tribution to the future security of the United States. They have given us one more chance to face up to the necessities for survival. They have framed a sin 4 ple truth; namely, if we do not first attain, and then main-



secured world peace becomes a reality, how could we ever justify letting our guard down now? We must not relax because of temporary successes in our international program of meeting aggres-

Instead, let us follow the lead of our great President, Harry S. Truman, who last week affirmed that rearmament of the United States will continue until our only possible major aggressor gives tangible proof that he no longer schemes to make the godless creed of Communism the supreme force in the world.

Until we have such proof, cur President is determined that this country shall develop and maintain that power necessary to fulfill our obligations to the freedom of mankind.

In that determination, Mr. Truman has the complete support of a distinguished Texan with us here tonight, one who for many years has been an outstanding advocate of adequate military strength, United States Senator Lyndon Johnson. Scholar, warrior, statesman, Senator Johnson can be held to a minimum. is serving his country with rare devotion and skill.

war - one in battle, the other day's conditions are at least parthrough insufficiency of economic tially unique. strength.

The first way to protect our economic strength, now, is to prevent the economic disintegration brought about by inflation.

#### Importance of Some Controls

Because of the courage of our young soldiers, sailors and airmen, and the skill of their leaders. America is doing well on the battlefront. On the home front, however, there is more to be desired in the fight against inflation.

aspect of our current problem is an apparent failure to convince and difficult assignment ever

\*An address by Mr. Symington before the Theatre Owners of America, Houston, Texas, Nov. 2, 1950.

Since June this country has omy of the importance of some

Everybody seems willing and theless made an invaluable con- anxious to curb any inflationary trend by having all those controls which affect the other fellowbut not him.

> Already we have received many protests against the limited con- or groups. In all candor, howtrols thus far established-pro- ever, many of us have been distests from representatives of agri- appointed over the movement of culture, industry and labor. The a number of prices into new terspectacle of the accusing finger is ritory, on grounds which do not beginning to recur, although I had appear to be justified by consid-hoped, and still hope, that we as erations of cost or supply—cera people had learned inflation tainly not by patriotism. spares no group; and that from that lesson would come a unity and moderation which would see us through.

Today the economic system of our country is confronted with strength, there is sure to be an- many new and unprecedented other war, and America is sure to problems. In many respects the It is an American trait to trust called "gray" mobilization bring both people and nations. That is about tensions and dislocations why we, a peace-loving people, which call for a far higher degree are often caught with our guard of understanding and cooperation down by the war lords. But until than the requirements of an allout war.

It is apparent that for some time to come a substantial portion of our resources must now be devoted to military preparations. Based upon presently foreseeable requirements, however, goods and services available for civilian use should be adequate to maintain both our economic health and a relatively high level of civilian

The impact of defense requirements cannot in all cases be evenly distributed, and therefore certain productive areas must face the prospect of some reduction in volume, although not to any degree comparable to what was prevalent during World War II.

A further complication is that, unlike a decade ago, some industries facing curtailment because of material shortages will not be able to promptly substitute Government contracts to fill the gap. This situation will create a momentary hardship to the particu-

lar business or business affected. It, of course, places a responsibility upon Government to shape policies so that such dislocations

Nor can the experience of the There are two ways to lose a problems of today, because to-

Mounting pressures stemming from full employment, plus a high level of defense expenditures, must be contained; and it is everybody's job to establish this containment without impeding production.

#### Two Enemies: Inflation and Communism

I have said, and I repeat, that the threat of inflation is as great peril to our democratic institutions as the curse of communism. We must meet and defeat Perhaps the most significant both of these challenges to our own security.

This task is the most delicate some of the segments of our econ-faced by a free government, because there is no precise blueprint which can guide us, no formula that offers any quick or easy solu-

tion in a system of free enter prise.

We have developed specific procedures to deal with the more pressing problems of production and allocation, and have invoked restrictive measures to curtail credit in key areas; but the momentum of inflation has merely been checked, not permanently abated.

Nevertheless, the President is determined to take whatever steps become necessary to prevent the disaster of inflation. That is the policy now, has always been the policy, and will continue to be the policy.

It has been my personal hope that a minimum of direct controls, coupled with appropriate fiscal and credit policies, might be adequate to maintain stability in a period when less than 10% of our national product is being diverted to military purposes.

Some of the pressures which this program of partial mobilization generates may be beyond the control of individual businessmen

It is new all too obvious that business and industry and labor and agriculture all have their own responsibilities in determining ultimate policy in this difficult period. If opportunity for profits, based upon scarcity, is to be standard behavior, that can only constitute an invitation for government action of a scope and degree we have so far sought to avoid.

It now seems apparent that in some areas price increases have been taken in anticipation of price controls being established at the higher levels, without any justification based on supply or cost conditions. Where such pricing policies have been followed, I want to tell you now, without any possibility of misunderstanding, that these policies will be taken into consideration when and if the government is required to establish controls. Hence I earrestly appeal to producers ever, where to avoid opportunity profits in the interest of long-term stability.

If it becomes necessary to establish price controls, the govern ment will analyze, industry by industry and commodity by con; modity, those pricing policie which have been pursued since Korea; and can anyone complain if his actions in the marketplace result in price schedules which would be related to an earlier price base?

#### Are Scarcities Being Deliberately Created?

In a democracy it is vital that the people know the facts. Some of the facts of our current situation are disturbing. Not the leas: disturbing is a growing belief that past be any sure guide to the there is a relationship between the steadily increasing unusual profits of some American corporations and of deliberate policy of limited production.

Nothing could contribute more to inflation than a calculated program of restricting the production of goods in order to create a scarcity, and then utilizing that scarcity as the means for raising prices.

Everybody now realizes for example that there is a serious national shortage of some material and those of us in government know that most of these shortages: have little to do with current military demands.

In discussing this problem recently with the leaders of a great corporation which produces basic material, they were frankl; hesitant about expansion in theiindustry, because of their fear co

Continued on page 3-1

## Investors: Watch Federal Financing

By B. BARRET GRIFFITH

B. Barret Griffith & Co., Inc., Investment Counsellors, Colorado Springs, Colo.

After taking stock of nation's overall position, investment counsellor contends our income growth may have resulted from "borrowing from the future," and that taxes are so high as to approach diminishing returns. Urges investors watch closely trend of fiscal policies rather than unearthing weaknesses in American corporations.

ments which may soon begin to unfold after having been hidden beneath exciting surface events makes the prospects for security prices particularly interesting. Al-though the widely recognized factors affecting security prices



B. Barret Griffith

and which in-

As is always true, the present ment of plant and equipment reoutlook for stock prices is inter- placement costs may well cause esting. The fact that there seem either hesitation, or decline in to be important fundamental ele- equity prices from the current 230 level in the Dow-Jones Industrial Average; it will be the reaction to important other factors which will finally determine the course of security prices during the next year or two.

to me the most concise way to clearly points our attention to take inventory is to list and compare debt, income and assets, with consideration given to prices and like a frantically busy juggler taxes if one is attempting to measure the position of a particular heavier and heavier balls in the economy, I have compiled the air. If he drops any one of the following table to show in the balls (taxes, income, prices or briefest and most general manner our present overall economic situation. The table discloses our clude the apparent vulnerability debt, income, essets (as measured of commodity prices, the historic by gold reserve), prices and taxes. we all know about, how Federal effects of credit contraction, the From the table I conclude that Governments finance themselves possibility of inventory profits our income growth may have re- (by taxes, bond sales or coin becoming lusses, and the possible sulted largely from our borrowing clipping), may point up long hidoverstalement of corporate earn- from the future. Different from den factors which may become

6	
5 -	
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10	Times Stock Index
80	
0	
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(M	illions of D	Dollars)	
	1929	Present	
Debt—			
Federal	\$33,174	\$256,308	(Oct. 1950)
Consumer	7,628	20,979	(Aug. 1950)
Corporate	47,300	49,600	(1948)
ncome—			
National	87,400	221,500	(1949)
Individual	85,100	217,100	(2nd Q 1950)
Corporate	8,420	21,000	•
Gold Reserve	3.997	23,483	
rices—			
Wnolesale	100.0	174.7	
axes—			
Total	9.768	55,061	(est. 1951)
% taxes to national	-,	,	,,
income	11.2	24.9	

appears to be unfavorable at pres- pictures the trend of long-term then, considering our debt to income and gold reserves, the conclusion that present income and assets appear unable to support First, let us take stock of our our present debt seems to be a the government picture as the present weak link. Uncle Sam is who is being pressed to keep gold) the odds are that he will lose control of that lopsided fifth ball-debt.

Recalling fundamentals which (by taxes, bond sales or coin apparent before too long and have substantial effects upon security prices. For example, because of the size of our government's present debt and the unhappy experience of those who have owned government bonds during the last ten years upon finding both their principal and income threatened by inflation, the assumption may be justified that the Federal Government may have trouble in financing operations from bond sales to individuals unless the interest rate is substantially increased. As for Federal taxes, it would seem that the government is approaching the point of diminishing returns since existing and prospective taxes will be taking at least 25% of our national income. And, because the man on the street and the housewife are being promptly advised about the inflationary progress and coin clipping, the National Administration may find it more difficult to overcome hard money advocates from this time chessboard? forward. As investors we might be wise to look for increasing signs of adjustment in the luxuriously expensive type of National Administration which we have had rather than search for Are they glad to see that we are general weaknesses in our corpostrong government. Encouraging signs to look for, some time ahead, in the Federal financial picture would be events admitting reality such as the free convertibility of dollars into gold and a realistically higher interest rate on government debt. By listing encouraging signs to look for, I have unwittingly committed myself in this article to a digression. However, since it is related to the subject of security prices, to trespass is justified.

The "Commercial and Financial Chronicle" published last March a study which I made entitled 'Investors Can Have a Depression." In that article it was maintained, on the basis of British experience, that increasing wage rates and full employment were caused by the interlocking of the no insurance against depression two most powerful economic fac-

long-maintained 100 price level reserve would increase. for them. Looking at the trend of 70 this year. Since our Govern- weaknesses in substantial Ameriment's easy money policy does not can corporations.

seem to fit in the politically hot inflationary picture and because gold has been leaving this country in increasing amounts and flowing toward temporarily more stable currencies, such as the Canadian dollar, a test in the government bond market may be seen during the months ahead. Another point of interest you will note from the chart comparing the trend of the Dow-Jones Industrial Average to the London "Financial Times" Stock Index is that the downtrend in British equities from early 1947 to the Fall of 1949 occurred during the long inflationary period there. Weekly wage rates increased from, ent, the consumer may not be in United States Government bond about 166 to approximately 181 too good shape, but corporations prices and British Consols from during the interval, and wholeseem to be in a relatively strong 1946 to the present inclusive, as sale prices in England advanced position. If the assumption is cor- well as stock prices in this coun- from about 184 to 236. British rect that our gold reserve meas- try and England. At present the stocks did not begin advancing ures to some degree our assets, pattern of our government bond late in 1949 until the pound had prices is somewhat threatening in been devalued (the price of gold that bonds seem to be pointed increased) and there was some toward and will probably test the assurance that the nation's gold

Investors might be well advised present overall position. Because reasonable conclusion. The table British Consols, you will notice to watch closely the trend in our that those bonds declined from Federal Government's fiscal polabout 100 in late 1946 to below icies instead of trying to unearth

## Stop Dollar Goose Stepping To Stalin's Tune

By JOSHUA ALLEN HARVEY Partner, A. G. Edwards & Sons, St. Louis Members, New York Stock Exchange

Midwestern investment banker, contending Russia's objective is overshrow of the dollar, which would be tantamount to overthrow of our government and business system, urges amendment of tax laws designed to help control use and supply of money. Proposes formula for reducing national debt.

the answer to the question: Whose queen will take the throne when the democratic way of life and Karl Marx's way of eternal turmoil have finished exchanging the pawns horses, castles and kings on the world economic



Joshua Allen Harvey

Now that the Communistic forces are stymied on the military fronts, is it a part of their revolutionary plan to make a flank attack on the value of the dollar? spending a great many more dolrate structure. Different from the lars than we ever planned to early 1930's we may later see cor- spend in bringing our state of reporate strength pulling us out of armament for war or defense up the whole instead of a financially to the level of their own? Is the value of the dollar weakened in the world markets as a result of the past two decades of prolific spending by our Federal government of funds furnished through deficit financing and backed by both an oppressive and a suppressive tax system? Will the overthrow of the value, the power and prestige of the dollar be tantamount to the overthrow of our business system and our form of government? The answer to all these questions is "Yes."

#### Stability of Dollar Uppermost

Admittedly, our armament program is a must. But also the maintenance of a reasonable value and stability of the dollar is a must. We are faced with an immediate solution of the problems for investors. The following chart tors-the supply of commodities

It might be said that this is a and the supply of money -Three Hundred Billion Dollar rather with the problem of how Question and one of the things to control the prices of our supply we are mainly concerned with is of commodities and the control of the use of our supply of money. In this regard, we hear so much foolish talk about inflation. An inflated or deflated condition is an adjunct to rather than the cause of a given level of business activity. In most instances the terms "inflation" and "deflation" are a misnomer, each instance requiring a special explanation. The use of the words "inflation" and "deflation" should be gradually eliminated from our economic dictionary. We should get into the habit of saying "when the level of business is high, prices are high" and "when the level of business is low, prices are low." Our present state of inflation is not causing a greater amount of business but a greater amount of business is causing a higher degree of inflation. This brings us to a cursory analysis of the control of prices, goods and services and control of the use and supply of money. Price controls have to do with Adam Smith's economic theory of the circular motion involved in the creation of wealth by taking things out of the land, air and sea — the processing, distributing and use of them until put back again. The demands of our armament program have speeded up the centrifugal motion of this circular economic process and we find it necessary to control both prices of certain commodities and the use of the supply of money. The exercise of the control of prices (involving, of course, the use of the supply of money) merely holds in check the fissionable effects of one on the other of these two important economic factors. Probably at this time the control of prices of all the basic commodities will suffice and we may leave the processing, distribution and use of them to the competitive forces. The control of the supply of money should not be so difficult. The supply of money is

Continued on page 42

## **Melvin Hall Director** Of Gonn. Secs. Div.

HARTFORD, Conn.-Melvin O. Hall of New Britain has been appointed Director of the Securities, Small Loan and Sales Finance Division of the State Banking Department effective Nov. 1, it was announced by Bank Commissioner Richard Rapport. The announcement followed a promotional examination for this position which is in the state classified service.

Mr. Hall, who resides with his parents in New Britain, is a graduate of New Britain High School and the Bentley School of Finance in Boston. He has been with the Banking Department since 1931 when he was one of the original examiners in the Securities Division which was organized that year. In addition to his regular duties as Bank Examiner in earlier years. Mr. Hall worked with the Liquidation Division at the time the Bank Commissioner became receiver of closed banks and also assisted in numerous fraud investigations, including those of the Waterbury municipal scandal and the McKesson & Robbins case. Prior to his appointment as Acting Director of the Securities, Small Loan and Sales Finance Division on Feb. 1 of this year, he had held the position of Senior Bank Examiner for 11 years.

Recently, he was elected Secretary of the National Association of State Small Loan Supervisors at its national convention in Chicago and a member of the Auditing Committee of the National Association of Securities Administrators at its convention in Detroit.

Mr. Hall is a World War II veteran with four and one-half years' service, of which two and one-half years yere spent overseas with the 591st Engineers Boat Regiment in the Mediterranean theatre. As a member of this regiment, he participated in the invasion of Southern France with the Seventh

Mr. Hall succeeds former Director Clarence H. Adams who resigned from the Banking Department in February to enter private business.

#### With H. W. Armington

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.-James J. Regan and Myron J. Spencer are associated with H. W. Armington & Co., 79 Milk Street. Both were formerly with Amott, Baker & Co., Inc.

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## Our Reporter on Governments

\equiv By JOHN T. CHIPPENDALE, JR. 🚞

The government market continues to move in a rather restricted range, despite new lows and somewhat enlarged volume. The ineligibles seem to be supplying the bulk of the interest as far as the longer-term issues are concerned. The bank 21/2s of September 1967/72 and the partially exempt 23/4s have been keeping the eligibles in the picture, but with more restricted activity than is taking place in the taps. As a whole, the market does not seem to have changed in sentiment very much, although there appears to be a lessening fear of what will happen to quotations when, as and if reserve requirements are increased.

Federal is still the principal taker of the securities which are being sold, mainly the ineligibles, despite the appearance here and there of other (outside) buyers. This latter interest has been largely in the Vics, which are being bought for income purposes. The short-term market continues to fluctuate according to the dictates of the Central Banks, and these institutions are not making it any easier to create reserve balances.

#### **Increase in Reserve Imminent**

The loan trend continues to plague the money markets, because it is believed the authorities will not let borrowings increase too much more, without taking action on reserve requirements. There have been indications that loans were slowing down with certain commercial banks, but the overall total still shows a substantial demand for funds. Although an increase in reserve requirements has been expected for some time, it is felt in many quarters there is not likely to be much more of a delay, since it is believed greater pressure must be exerted to curb this inflationary force.

Creating of reserves has been made more difficult, risky and costly by the Central Banks. This action evidently has not been stringent enough, however, to prevent the deposit institutions from selling Treasury issues in order to get needed reserves. These, in turn, are being loaned out at high enough rates to compensate for the losses which might be taken in the securities that have been disposed of to create reserve balances.

#### Market Impact of Higher Reserves

How well prepared are the deposit institutions for an increase in reserve requirements? This is a leading question which cannot be answered in definite terms. Nonetheless, it is the opinion of shrewd money market followers that most of the member banks are well prepared for a maximum increase in reserves. This does not mean there will not be liquidation of certain issues in order to meet the new requirements. Some banks, it is reported, will be sellers of the '52s, others the '54s and '55s while '56s will have to let out in some instances. The longest bank 21/2s, according to indications, will not be disposed of, except in isolated and extreme cases, which are reported to be in the minority. How will this selling, even if in not sizable amounts, affect the market in general? It is expected there will be temporary weakness, because dealers will not be inclined to take on securities until there is evidence that the liquidation has been pretty well completed.

Temporary unsettlement in the market because of higher reserve requirements could take the various eligible issues down a few thirty-seconds, but no wide-open break is looked for. It is the opinion of many operators in Treasury obligations that the bank issues have rather adequately discounted increased reserve requirements and the expected weakness in prices will not be too severe or of long duration. With such a feeling in mind, it is indicated that quite a few money market observers believe that following some temporary weakness in the eligibles, because of changed reserve requirements, there could be a rally followed by a gradual improvement in quotations of these securties, especially in the higher income obligations.

It seems as though quite a number of deposit banks, particularly in the out-of-town areas, will be interested in acquiring the higher coupon obligations. It is indicated these institutions will not be too much affected by an upping of reserve requirements. A period of market unsettlement in the eligible obligations would give them the buying opportunity which many of them have been waiting for.

#### Ineligibles Remain Depressed

The ineligibles continue to hang heavy over this sector of the market and new lows are being made because savings banks and insurance companies are still selling in order to take up non-Treasury investments. It is not expected there will be any change in this policy for the next few weeks at least. On the other hand, there has been buying appearing in the longest maturities from interests other than Federal. Pension funds and trust accounts have been making some fairly important commitments in the Vics. This buying, it is believed, will spread out and will be more sizable in the not distant future.

Although State and municipal issues continue to find their way into portfolios of commercial banks, there is still considerable appetite for the partially-exempts as they move into new low ground, especially the last three issues.

The 13/8s of 1954 and the 11/2s of 1955 seem to be fairly active issues, with buyers and sellers going in and out of these two obligations depending upon their needs. The 1952/54s also have been attracting attention, with the buying reportedly better than

## Money and Credit Today

By M. S. SZYMCZAK\*

Member, Board of Governors, Federal Reserve System

Pointing out Administration's policy is to rely upon credit and fiscal measures to hold line against inflation and thus diminish need for direct controls, Gov. Szymczak advocates harmony in applying monetary and fiscal controls. Describes recent measures taken by Federal Reserve, and predicts more stringent action will be needed in future.

It has long been my conviction our defense industries; on the ing and experience—that each of labor and materials from civilian

M. S. Szymczak

ber understand how it works and about an increase or a reduction why. It follows also that the bet- in production according to changter we understand it the easier it ing consumers' demand; if such a is to correct any imperfections. In change in price is made impossible our country, the people decide by direct controls, the consumers

maintain the purchasing power of total war, but, in my opinion, the dollar, using the instruments avoidable in the present situation. of monetary policy given to the Federal Reserve by the Congress. I have tried to make my audience understand the concepts so fathe Federal Reserve: and more re-

structing private homes. For the past few months much has been said and done about credit restraint in our fight against inflation. However, you and know that credit measures must not be our only defense. Our first reliance must be placed upon adequate fiscal measures. Second, priorities and allocations become needed for our rearmament program are scarce. The Government's policy, as the President has emphasized, is to rely upon credit rect controls such as price and wage freezes and consumer rationing

Late in August at the University of Wisconsin and again late in September in New York before the American Bankers Association, I had occasion to discuss the principles involved in money and credit policy and its relationship to fiscal policy. I shall try today to confine myself to the principal points made on those two occasions.

Fiscal and credit measures both aim to reestablish the proper balance between consumer demand and the available supply of goods. This balance is threatened from two directions: on the demand side, by rising incomes resulting from the increased activities of

\*An address by Mr. Szymczak before the Institute of Finance, Sponsored by De Paul University College of Commerce, Chicago, Ill., Nov. 3, 1950.

-based, of course, upon my train- supply side, by the diversion of us must know not only our politi- to military use. We believe that cal, but also it is essential to prevent overour economic expansion of the supply of money. system in or- riscal and credit measures get at der to make it the basic causes of inflationary work effec- pressures by curbing excessive tively in the growth of the money supply. Diinterest of the rect controls, on the other hand, greatest num- deal with the effects. They serve ber; that is, in to contain inflationary forces so the public in- long as the controls are effectively terest and enforced. Not only do they deal therefore for with effects rather than causes, our national but they distort wage and price welfare. Our relations and thereby interfere economic sys- with the efficient working of the tem works market mechanism on which our best when the economy is based. In a free margreatest num- ket, a change in prices brings what they want and how they lose their influence on the decision of the producers. More im-For 17 years I have tried to the portant still, direct controls are best of my ability to explain the characteristic of a regimented soworking of our system of money ciety which is wholly alien to our and credit. I have tried to show ideas. They are measures of last how the Federal Reserve seeks to resort, inevitable in the case of a

#### The Role of Monetary and Fiscal Policy in General

Monetary and fiscal policies miliar to you: the discount rate, must always go together because which determines the price to be an inflationary rise in money inpaid by the banks for advances comes usually stems from two from the Federal Reserve; the sources: an excess of Government open market operations, which in- expenditures over Government fluence the quotations at which revenues (in other words, a budget Government securities are bought deficit); or an excess of private and sold; the reserve require- investment over private savings ments, which determine the de- (in other words, an over-expanposits to be kept by the banks with sion of private credit). Fiscal policy aims to keep the budget in cently also the selective credit balance; monetary policy aims to controls, which influence credit keep the system of private credit conditions for purchasing and in balance. Should fiscal policy holding securities, for purchasing fail in its duty, monetary policy automobiles and other goods on would have to restrict private the instalment plan, and for con- credit sharply in order to counterbalance the Government deficit. Similarly, should monetary policy fail in its endeavors, fiscal policy would have to create a huge Government surplus in order to counterbalance the over-expansion of private credit. For this reason, the question can never be whether monetary or fiscal policies are to be used, but only how monetary necessary whenever commodities and fiscal policies can best be coordinated.

The Congress has acted wisely in increasing our income taxes so as to raise tax receipts in accordand fiscal measures to hold the ance with the rise in our defense line and diminish the need for dihave to raise taxes further to keep pace with further rises in expenditures. However, these fiscal measures will at best finance the cost of our Government on a pay-as-we-go basis and avoid the inflationary consequences of heavy deficits. They do not deal with the equally formidable problem of expanding private credit. In other words, it accomplishes nothing in the battle against inflation if we can replace with borrowed dollars the dollars that are taxed out of our pockets.

> The recent sharp rise in economic activity, which began several months before the attack on South Korea and is greatly accelerated by our military expenditures, has been based on a rapid expansion of bank credit. tween June and September, 1950, commercial banks increased their loans by \$4 billion; bank holdings

Continued on page 29

## Canadian Securities

■ By WILLIAM J. McKAY ■

U. S. capital prior to this step course. was largely of the "hot money" eight m ist speculation was not entirely there is now little doubt that long-term investment accounted for the major proportion of the

It is also probable that at the obviously undervalued fixed level of 91/8 % discount a certain volume of Canadian dollars was purchased in anticipation of future This type of operation would be difficult to distinguish from a purely speculative transaction and was possibly considered as such in the official esti-Whether or not U. S. speculation was the dominant feature of the Canadian dollar market before the exchange was freed from its fixed rate strait-jacket, profit-taking at the present level is almost entirely lacking. On the contrary it would appear that a fcesh buying wave has been set in motion as a consequence of greater confidence abroad in the new free dollar.

This development is hardly surprising as the present Canadian dollar has a strong commercial as well as financial backing. Whereas the old "free funds" market in New York was exceedingly narrow and subject to wide fluctuations, the present market for the Canadian dollar is both broad and extremely stable. Furthermore it must be remembered that when necessary the new market has the support of a highly adequate official exchange reserve fund. For these reasons investment in Canada under present conditions is on a definitely sounder basis than previously if only because of the improved technical position of the Canadian dollar.

Economic conditions however also continue to provide adequate reason for the current buoyancy of the new free dollar. Dominion's trade with this country at the present rate of progress expected to attain a record level of \$4 billion. More remarkable than the importance of the volume however is the fact that this total is expected to be equally divided between exports and im-

**CANADIAN BONDS** 

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Fifty Congress Street Boston 9. Mass.

The persistent strength of the ports, thus marking the end of the Canadian dollar since it was per- period of chronic Canadian defimitted to find its own level is per- cits in U. S. trade. Alberta oil haps somewhat remarkable in production which has played a view of the apparent official con- notable role in this achievement viction that the huge influx of is still on a strongly upward U.S. capital prior to this step course. The total for the first eight months of 1950 has already Undoubtedly opportun- surpassed by nearly 4 million barrels the total production of lacking in the movement, but 1949. A further notable event in connection with Canada's rapidly expanding oil industry is the completion at the end of last month of the 1,100 mile Interprovincial Pipe Line connecting Edmonton with the Great Lakes.

> Another great development that will surely rank with Alberta oil as a factor responsible for Canaremarkable economic progress is the exploitation of the Quebec-Labrador iron-ore huge deposits. It has just been announced that the contract for the 360 mile railroad, which will link the mining area with tidewater on the St. Lawrence, has now been The new line, the Quebec, North Shore and Labrador Railway Co., which is owned by the Iron Ore Company of Canada is expected to be completed in 1954. Shortly thereafter it is anticipated that it will be possible to achieve an annual output of 10 million The contract for the railroad has been issued to a Canadian group composed of the Cartier Construction Co., of Montreal, McNamara Construction Co., Toronto, Fred Mannix & Co., Calgary, and the Morrison-Knudsen Co., of Canada. The precise nature of the financing arrangements is not yet known but the funds amounting to \$175 millions will be provided by the Hollinger group of Canada, and six U. S. steel and iron-ore companies (Republic Steel, National Steel, Armco Steel, Youngstown Sheet & Tube, Wheeling Steel, and the Hanna Coal & Ore Co.).

The consummation of this vast project which will provide Canada with an economic asset of the order of the Mesabi Range will ultimately place Canada in the position of one of the world's leading exporters of iron-ore. This development in conjunction with the rapidly expanding production of Alberta oil will ultimately have a revolutionary effect on the U.S./Canadian balance of trade, especially when it is considered that oil, iron-ore and steel have for years constituted Canada's principal imports from this country. It can thus be readily seen that the eventual establishment of a premium on the Canadian dollar in relation to the U.S. dollar is well within the realm of probability.

ternal bonds resulting from the able. Those of you who are parliquidation of a U. S. account. ticularly concerned with the Ca-Activity in internal Dominions nadian market will remember the border was still in evidence. The Canadian dollar displayed persistent strength and the ultimate attainment of parity with the U. S. dollar now appears a distinct sight for those that remain. possibility. Stocks although influenced by the sharp decline in New York finally rallied led by the paper and base-metal issues. Golds made little headway and the Western oils regained little of their earlier losses.

#### Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal. - James W. D. Liginger has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

Continued from page 4

## Canadian Economic Progress— Retrospective and Prospective

based on supply and demand. This sponsibilities to the United Nameasure of ireedom is welcomed tions and to the members of the by all who feel that controls re- North Atlantic Defense Pact. We strict, whereas freedom of action are conscious of the fact that is necessary if we are ever to get Canada is not, with its relatively back to international trade on an small population, a very strong expanding and healthy basis. If, source of manpower. On the other therefore, this measure of relief from control leads to further days, Canada was recovering from freedom, then we shall be moving forward to a goal much to be few new plants had been built, desired. However, it may be reiterated that, irrespective of the reasons upon which the recent government decision to "free" the dollar were based, the decision to go no further in relaxing exchange controls at the present was to my mind wise and constructive. This view is justified in the light of conditions existing in the world markets and in foreign exchange activities during the months preceding Oct. 1

#### Most Serious Trade Problem

Turning for a moment to a brief introspective examination of our trade problems, the most serious years ago was the large deficit then being incurred in our trade with the United States. Our current earnings in trade with the United Kingdom and other overmore than sufficient in 1947 to finance our deficit with the United States. However, sterling could not be converted into dollars and the result was that our gold and dollar reserves were seriously impaired. Since 1947, we have been successful in reducing our trade deficit with the United States to present conditions. In 1947, our deficit on account of current trade with the United States amounted to over a billion dollars. By 1949, this deficit had been reduced to about \$600 million. It appears now that in 1950 our trade deficit with the United States may be reduced to considerably less than half of the 1949 level.

The postwar years with the attendant currency stringencies, coupled with a foreign aid program, posed many difficulties for Canada. It was obvious that the demands of Canadians for American goods would increase, both as a result of reconversion demands. and because of the rise in national income which was in part engendered by the Canadian desire to help effect a restoration of the European economy. The existence of the dollar shortage meant that Canada could not exchange sterling for dollars and, consequently, we suffered a severe drain upon our reserves of United States dol-During the week there were lars. Some form of import restric-unusually large offerings of ex- tion, therefore, became unavoidimposition by the Canadian Govtinued demand from south of the ernment in 1947 of a wide range of import controls and quotas. In three years the improved balance of payments position has resulted in the lifting of many of the restrictions, and an early end is in

#### Canada and Far Eastern Situation

Turning now to the international scene, this brings me to uppermost in your minds, namely the Far Eastern situation. The probable effects upon Canada of the United Nations' action in Korea have come more sharply the military pattern. into focus as a result of legisla-

hand, going back to pre-1939 the depression. During this period maintenance and repair work had been held to a minimum and much equipment was obsolete, War required a gigantic program of construction and reequipment. This trend has continued up to the present. Now it can be said in terms of plant and equipment the Canadian economy thus expanded is better able to withstand the financial pressures of military preparedness than before the outbreak of war in 1939. One of the main areas in which Canadian defense preparations can help a pattern of integrated strategy is the provision of armament to supply the needs of other one which confronted us three lands in the light of today's aggressions.

In the recent session of our Parliament new amounts were appropriated for immediate defense spending and the power of seas countries would have been the government to make future commitments was increased. The total of these defense allocations is equal to about 10% of our expected \$17 billion Gross National Product for 1950. While the immediate cash commitment on defense during 1950 will be about 5% of the Gross National Product we are informed that defense a level which is manageable under spending in ensuing years will absorb not less than about 10%

An unexpectedly buoyant econcurent fiscal year resulted in an \$180 million instead of the budg- area. eted \$20 million, in spite or the fact that taxes had been lowered. Thus the impact of government defense spending has not been felt through additional taxation of incomes of individuals but by a drawing down of the surplus and increases in corporate taxes (up 5%) and excise taxes on certain articles. The outlook for next year, viewed solely from today's viewpoint, is for somewhat higher taxes coupled with other anti-inflationary measures.

Our battle against inflation was opened by passage of the Essen-Materials (Defense) Act, written, as is usual in such cases, to allow some flexibility of application. The policy which this Act epitomizes is that a fortuitous gain should not accrue to individuals through the operations of the government in the national Unlike to be curtailed.

present position is somewhat akin tion of securities. during the next months will be another subject that must be carry out increased munitions and armaments production as far as possible without inflationary repercussions. Beyond this we must await any further unfolding of

we also have acknowldeged re- combating inflationary forces- changes, on Nov. 16.

forces that left to themselves well might weaken our economic fabric. Yet I must leave with you two personal and optimistic convictions. First, I believe that our economic development during the past five years will prove significant, particularly in that our contribution to world peace will be of greater magnitude than at any other period in our history. Secondly. I am convinced that we are in the process of long-range development of resources. True, this development may fluctuate but the long-run curve will be up-

While the prospects for our future development are bright I hope I am sufficiently realistic not to delude myself that Canada economically will have a steady upward swing regardless of what takes place elsewhere in the We are too much of a trading nation not to feel the effects of conditions outside our own border. Yet at the mid-century mark we see the possibilities ahead. We are happy with our neighbors, for we know that with them we can share the fruits of effort. It remains for us to withstand the impact of relative prosperity, so that the gains may be shared-not dissipated. It remains for us to withstand the inflationary pressures of military preparations necessary to the hope of peace in the world.

## San Diego Bond Club Is Formed

SAN DIEGO, Calif. - The San Diego Bond Club has been formed investment dealers of San Diego and their associates. Membership of the club is open to dealers, salesmen and other members of the investment business in the area with associate memberships available to those in allied professions. The club will hold a luncheon meeting once a month at omy during the first half of the the Cuyamaca Club and its aim is to advance the interest of securiestimated government surplus of ties business in the San Diego

> C. Wesley Hall, Wesley Hall & Co., was elected President; Edward S. Hope, Hope & Co., Vice-President; and Sam C. Hunter, Walston, Hoffman & Goodwin, Sec.-Treas. Chosen directors were Philip Neary, Dean Witter & Co.; George Roberts, E. F. Hutton & Co.; Henry Sutter, Fewel & Co.; Elmer Spencer, Blyth & Co., Inc.; Joseph Walsh., Hill, Richards & Co.; William C. Barker, Merrill Lynch, Pierce, Fenner & Beane; Fred Williams, Crowell, Weeden & Co.; and Harry J. Wiesler, Wiesler &

## **SEG Approves Plan** Of Midwest Exchange

As amended plan developed by the Midwest Stock Exchange to handle special offerings has been interest. Briefly, the Act em- adopted by the Securities and Expowers the Minister to control the change Commission for a trial production, distribution and price period. Under the provisions of our the plan bonds as well as stocks similar Act it makes no provision could be included. The bonds or for wage controls. In addition, stocks sold under the plan would non-essential or non-defense ex- be allotted by offering houses on penditures of the government are a firm basis of not more than 60% of the securities to member firms Generally speaking, Canada's which are engaged in the distribu-The special to that in the United States. It commission would be retained by would be reasonable to expect the offering firms and the conthat the main concern of Canada sideration of factors determining whether a special offering is called for would be made permissive instead of mandatory.

#### Walter Cruttenden, Jr. To Be Partner in Firm

These past few months have CHICAGO, Ill.-Walter W. Cruttion passed in our recent special witnessed a series of startling tenden, Jr., will become a partner session of Parliament. Canada has events. It is a sobering thoughti it Cruttenden & Co., 209 South acknowledged a prime responsition that most of our recent governing Salle Street, members of the bility for the defense of the northment activities center either on La Salle Street, members of the ern areas of this continent and stepping up military activity, or New York and Midwest Stock Ex-

## Will Rearmament Impede Trade Barrier Removals?

By PAUL EINZIG

British economist taking note of improvement in European currencies and trade relations, along with gradual easing of export and import barriers, foresees possibility of changes in situation because of rearmament programs. Looks for some return of bilateralism and embargoes on imports and exports.

LONDON. Eng.—Until recently it looked as if trade barriers had really begun to crumble. For the first time since 1931 the trend of evolution pointed distinctly towards freer international trade. It is true, currency restrictions are still the rule and free international payments the exception. Never-



Dr. Paul Einzig

theless, during the last 12 months, progress was made towards convertibility, especially in Europe. There was also a substantial reduction in quantitative restrictions on intra-European trade. As a result of the effort of the O.E.E.C., acting largely under persistent American pressure, such restrictions on trade between Western European countries were reduced, first by 50% and then by 60%. A further target of an all-around reduction up to 75% came to be considered to be within the realm of practical possibility. Under the European payments agreement the participating countries agreed to grant each other open licenses on a basis of Nor was the trend towards a liberation of

trade confined to Europe. The tariff discussions of Geneva in 1947 and Annecy in 1949

were followed by the Torquay Conference in the autumn of 1950. The aim was a substantial reduction of tariff walls the relative importance of which has increased considerably as a result of the reduction of quantitative restrictions and currency control, and also as a result of the reappearance of a buyers' market which made it important for exporters to be able to quote low prices. There was also a noteworthy effort on the part of the United States to reduce the "invisible tariff" through a simplification of Customs procedure. International disequilibrium has diminished considerably through the recovery of Europe's producing capacity and through the devaluation of a number of currencies. The maldistribution of gold diminished somewhat, and a number of countries have accumulated gold and exchange reserves. Even though the governments refused to yield pressure in favor of a dash to freedom they became more inclined to move towards freedom, however slowly and hesitantly.

This trend was bound to be affected by the rearmament drive brought about by the invasion of South Korea towards the middle of 1950. The United States immediately embarked on rearmament on a truly American scale. Had this example not been followed the result would have been a considerable acceleration of the trend towards liberalization of foreign trade. For a unilateral rearmament by the United States would have accentuated the redistribution of gold and the readjustment of the international balances of payments. It would have tended to reduce the scarcity of dollars, scarcity which is mainly responsible for the continued existence of extensive restrictions on foreign trade. Since, however, it has become necessary for a large number of countries in Europe and the British Commonwealth to follow the American lead, the effect of American rearmament on foreign trade and payments tended to become reduced by the rearmament effort of other countries. This in spite of the fact that the United States have agreed to cover a substantial part of the rearmament expenses of Europe. Even though the changed situation tended to improve the dollar position of Europe it tended to deteriorate the balance of payments of all rearming countries in relation to countries which have not yet found it necessary to rearm. The rearming countries became concerned by their foreign exchange position in the long run, and also by their supplies of essential raw materials and equipment needed for rearmament.

There was no immediate reversal of the trend towards freer trade. At Torquay representatives of 39 countries continued to be engaged in what has come to be known as "multilateral concurrent bilateral negotiations." This apparent contradiction in terms describes a system which was applied successfully at the Geneva and Annecy Conferences, and which greatly facilitated the granting of reciprocal concessions. Simultaneously with the principal negotiations between importing countries with their principal suppliers, they also engaged in subsidiary talks with their secondary suppliers of the same goods, in order to ensure that any sacrifice made by a principal supplier in return for a concession should be shared by the secondary suppliers who stood to benefit by the concession under most-favored-nation clauses. It would be a much slower and more difficult process to achieve this end but for the fact that at Torquay the representatives of secondary suppliers are within easy reach and can be consulted with a minimum of delay.

So far there have been no signs of a setback in the progress of these negotiations, even though it would be premature at the time of writing to assess their ultimate prospects. Possibly the reason of the absence of any striking evidence of a setback in the movement towards lower tariffs and less restrictions on imports lies in the slow pace at which rearmament gets into its stride in most countries. Although various governments decided upon spending larger figures and their Parliaments approved the increases, it is bound to take some time before the decision can be translated into actual industrial effort. Meanwhile the capacity of the countries concerned to export has not suffered, and their foreign exchange reserve is not exposed to any undue strain except to the extent to which they engage in stockpiling purchases. The only immediate sign of the effect of rearmament is the tendency towards the adoption of export duties. Even this may be attributed to the rise in price in certain key materials, rise which has been only partly due to rearmament.

There can be little doubt that, as and when rearmament comes

into its stride, the rearming countries will experience difficulties which will tend to induce their governments to revert to trade restrictions. There will be shortages of essential strategic materials and equipment, and in due course also shortages of civilian goods. This, together with foreign exchange difficulties, may force many countries to seek salvation in bilateralism, or even in unilateral embargoes on imports and exports. In order to finance rearmament many governments may consider it expedient to raise revenue by means of increasing their customs tariffs. In the interest of rearmament it is essential that any such reversions to restrictions, in so far as they are inevitable, should be done on a basis of some international planning between the democratic countries. It would be futile and absurd if, for the sake of safeguarding their immediate interests, any of these countries were to inflict grave handicap on the rearmament of their allies. Coordination of military defense would be of small use unless accompanied by a high degree of coordination of economic defense under which the limited supplies that are available would be used in countries which could use them to the best advantage.

# **NEWS ABOUT BANKS**

CONSOLIDATIONS NEW BRANCHES NEW OFFICERS, ETC. CAPITALIZATIONS

AND BANKERS



Henry C. Alexander

since the inwaselected Chairman of the Board. R. C. Leffingwell resigned as Chairman after his 72nd birthday but

will continue with the company as a director, a member of the Executive Committee and Vice-Chairman of the Board.

Mr. Alexander was born in Murfreesboro, Tenn., in 1902. 1925 he became associated with the law firm of Davis Polk Wardwell Sunderland & Kiendl in New York, of which firm John W. Davis, the 1924 Democratic Presidential candidate, is the senior partner. Mr. Alexander specialized in corporate and financial matters and became a member of the firm in 1934. In 1939 he resigned from his law firm to become a partner in the firm of J. P. Morgan & Co. and on its incorporation in 1940 he became a director and Vice-President. He was named Executive Vice-President in December 1948. During the war, Mr. Alexander was Chairman of the Executive Committee of the New York War Fund. He also was active in work for the War Department as Vice-Chairman of the U.S. Strategic Bombing Survey mission, pursuant to Presidential directive, was to aid in planning the Pacific Theatre.

The trustees of the United States Trust Company of New York have called a special meeting of stockholders to be held Dec. 5 to approve a 150% stock dividend on the 40,000 shares of stock now outstanding. If approved, the stock dividend will be paid on Dec. 27 to holders of record Dec. 11. The proposed action would increase the number of shares from 40,000 to 100,000, and transfer \$6,000,000 from surplus to capital. Par value would be \$100 as at present. Capital would then stand at \$10,000.000 that if the stock dividend is apcash dividend of \$3.50 per share of Brooklyn Trust, serves as 000,000.

At their meeting on Nov. 1 the on the new stock or at the annual board of directors of J. P. Morgan rate of \$14. This is equivalent to & Co. Incorporated of New York the present dividend of \$35 per elected Henry C. Alexander Presi-dent and Chief company was chartered in 1853. Executive Of- The first dividend was paid in ficer of the 1854, and uninterrupted dividends c o m p a n y; have been paid ever since—97 George Whit- years in all. A 100% stock diviney, who has dend was declared in 1945, when been President the number of shares outstanding was increased from 20,000 to corporation of 40,000, and \$2,000,000 was transthe company, ferred from surplus to capital.

> will become associated with it Nov. 15 as petroleum consultant. Mr. Noble, who resigned as General Manager for Canada of the Union Oil Co. of California to join the City Bank organization, will work in association with the officers supervising the bank's oil and gas company accounts, as technical consultant on problems of petroleum development, production and financing. Directly associated with him in this expansion of the bank's services will be Bernard T. Stott, Assistant Vice-President.

Mr. Noble, a past President of the American Association of Petroleum Geologists, has devoted most of his business career to petroleum exploration work, and has been with Union Oil since 1923. He served successively as division geologist, assistant chief geologist, chief geologist and in 1944, Manager of exploration of the company. He was appointed General Manager for Canada, where he had charge of all exploration and other activities of the company in Western Canada, in 1949.

Vincent C. Ross, Vice-President, Treasurer and director of Prentice-Hall, Inc., and Fred W. Hauin the European Theatre and in have been elected to the Advisory Trust Company of New York, according to an announcement by N. Baxter Jackson, Chairman.

Ten former trustees of Brooklyn Trust Company of Brooklyn, N. Y. which merged with Manufacturers Trust Company of New York on Oct. 13 last, have been appointed members of an Advisory Board for Brooklyn Trust branch offices of Manufacturers Trust, it is announced by Henry C. Von Elm, President. They are: George A. Anderson, Harold P. Borer, Jackson A. Dykman, Lewis M. Gibb, and surplus at \$18,000,000, com- son A. Dykman, Lewis M. Gibb, the education of pared with \$4,000,000 and \$24,- A. Augustus Low; Joseph Michaels rious students. 000,000 respectively at present. Jr., Clifford E. Paige, Charles Benjamin Strong, President, said Pratt, William J. Tracy, and Adrian Van Sinderen. George V. and Trust Company of Chicago McLaughlin, Chairman of the has increased its capital as of proved it is the intention of the Executive Committee of Manufac- Oct. 25 from \$3,000,000 to \$4,000,trustees to declare a quarterly turers Trust and former President 000 by a stock dividend of \$1,-

Chairman of the Brooklyn Trust Advisory Board.

Announcement is made by James G. Blaine, President of The Marine Midland Trust Company of New York of the promotion of Henry L. Wyatt to Assistant Vice-President. Mr. Wyatt as identified with the bank's trust department.

At a meeting of the board of directors of the Corn Exchange Bank Trust Company of New York Miss Alice E. Crawford was elected a director to fill a vacancy on the board. This election marks the first time that a woman has served as a director of the bank.

Staff members of the Guaranty Trust Company of New York representing an aggregate of more than 20,000 years of service with that bank gathered on Nov. 2 in the grand ballroom of the Waldorf-Astoria for the annual dinner reunion of the Guaranty Quarter Century Club, honorary association of those who have served the company 25 or more years. The club numbers more than a thousand members and has chapters abroad in the London, Paris, and Brussels offices as well as in New York. Charles F. Maine presided at the dinner and was succeeded as President by William J. Neil. George J. Livingston spoke for the 81 new members inducted during 1950. Senior officials of the bank who are members of the club include J. Luther Cleveland, Chairman of the Board; William L. Kleitz, President; and W. Palen ferred from surplus to capital.

\* \* \*

Conway, John W. Davis, Charles
E. Dunlap, Cornelius F. Kelley,
William C. Potter, George E.

York announces that Earl B. Noble
Roosevelt, and Eugene W. Stetson, all directors.

> The East River Savings Bank of New York announces an exhibition on silk screen printing as well as a group exhibition of serigraphs at the Rockefeller Plaza office during the month of November. Represented in the exhibition are artists nationally known in the field of serigraphy: Leonard Pytlak, Ernest Hopf, Robert Gwathmey, Edward Landon and other exponents of this 20th century newcomer to the graphic arts. In addition, a section devoted to small serigraphs in greeting card format will be on display at all five offices of the East River Savings Bank during the exhibition. A group of the serigraphs will also circulate the branches during the season after the November showing at Rockefeller Plaza.

A group of friends of the late A. P. Giannini, who before his death last year was Chairman of the Board of The Bank of America National Trust & Savings Association of San Francisco, recently completed the formal organization of a foundation to perpetuate his memory through educational and appraising the results of the tau, Vice-President, Treasurer and scholarships. The activity has air war against the enemy, both director of C. I. T. Financial Corp., been in operation since June 2 on a temporary basis, and a num-Board of the Fifth Avenue at 29th ber of substantial contributions Street office of Chemical Bank & already have been received, it was stated. Organized under California law as a tax-free corporation, donations to which will be deductible items on income tax returns, the undertaking is now permanently identified as the A. P. Giannini Scholarship Foundation, Inc. The group has elected the following officers: Louis R. Lurie, President; Charles M. Paganini, Vice-President; James F. Cavagnaro, Secretary and Treasurer. Purpose of the foundation, President Lurie noted, is to provide the funds needed to further the education of selected merito-

The American National Bank

## Stock Market Fluctuations

By PHILIP J. FitzGERALD\*

Partner, Dean Witter & Co., San Francisco Members, New York Stock Exchange

West Coast securities broker, pointing out fluctuations are inherent in stock market because it is an auction market, ascribes as chief reasons for changing prices: (1) ebb and flow of business cycle; (2) shifts in expansion and contraction of industries; (3) shifts in position of individual concerns: and (4) news events and psychology. Because of difficulty for investors to anticipate such developments, urges buyers of securities concentrate on most successful companies in most successful industries.

#### **AUCTION MARKETS:**

stock market which is in effect an dependently to arrive at a price. auction market, organized for the FLUCTUATIONS:



ed by Amercorporations. dom choose to sell all of

Philip J. FitzGerald in a day, and those interested in making an inbuy all the outstanding stock of

transactions occur, they are usually handled as a special deal outside of the Stock Exchange, which is designed to provide buying and stocks which make up the market, selling opportunities each day in more normal volume. Since the uyers and the sellers each day their independent ect under reasonings, there can never be a very static situation in the stock market.

#### LIQUIDITY:

Without a stock market an investment in the shares of our companies would not be very liquid. An investment in house or a motel or some other valuable personally operated enterprise must sell itself to a very specialized type of investor who, a addition to providing the funds, will wish to live in the home or run the small business.

With a stock market the owners of a small portion of the shares of any company can realize upon neir investment every single day and correspondingly an investor with a reasonable sum of money to invest can be assured of accuiring the securities he wishes within reasonable limits.

#### SUPERVISION:

ne supervision of the Stock change which sees to it that:

(1) all transactions are entirely legitimate in that the seller actually delivers his securities to an independent buyer so that the price at which the transactions occurred are the economic exression of two prudent individuals expressing their judgment in an arms length type of transaction; and

(2) that all of the securities are good delivery, meaning that ne buyer need never fear that he is purchasing either counterleit, forged, or stolen securities.

The Stock Exchange's functions ston with providing a true and honest market place and it is the

\*A lecture by Mr. FitzGerald at final recting of Lecture Series on Securities of the San Francisco Stock Exchange, in mjunction with Adult Education Program of San Francisco Public School System, San Francisco, Oct. 24, 1950.

function of the buyer and the Fluctuations are inherent in the seller using their judgments in-

It is the fluctuations which quidity to the occur in the stock market that huge volume attract speculators. The continual of investment ebb and flow of values and the funds entrust- extremes within which the market gyrates have combined to give ican investors it a bad name with the general to our leading public who tend to fear that the fluctuations either represent lu-Obviously, all nacy or conspiracy. However, owners of the these continuous fluctuations with ogy. The last category of reasons stock of a occasional periods of violence are company sel- inherent in a free market where people are free to make fools of themselves as well as express their holdings their sane judgments.

Obviously, the members of this investment class are interested in vestment in a special situation investing and dislike or deplore seldom have sufficient funds to the extent of the fluctuations which occur in the prices of comcompany. When such total mon stocks. Therefore, it seems proper to consider the four distinct reasons which contribute to the fluctuations of the individual and which, in toto, account for the fluctuations of the stock market itself.

> The four main reasons contributing to the fluctuation of stock prices-three of which are easily explained-are:

> (1) The ebb and flow of the business cycle. With rising business most companies experience greater sales upon which larger profits are realized from which larger dividends can be paid. A contraction in general business works in reverse. This provides the most fundamental reason for the entire market to fluctuate.

(2) The ebb and flow of industries. Certain industries surge forward dynamically while other 38, and industries contract because of a shift in fashion or technological obsolescence.

(a) At the turn of the century the anthracite coal industry was port trade. considered a most favored investment since huge coal resources were located in only a few Pennsylvania counties and rested in very strong hands. The major Eastern cities insisted that only Thus, the sellers and buyers of this fine fuel could be used within out a small fraction of the value their limits - thus giving to the of the corporations of the country industry a splendid outlook. Over stablish the daily prices under the years, however, the development of natural gas and heating oil have provided homes with fuels which are technically superior. To clinch their technical advantages, coal operations have been subjected to periodic shutdowns by John L. Lewis who has chosen to exploit the customer's continue indefinitely but would dependence for the purpose of get better and better as time went winning temporary wage advantages. To draw an analogy with in investment circles where some real estate, which is more gener- \$15 billion was borrowed to buy ally understood, the anthracite securities. The New Era thinking coal industry went from a most actually permeated our entire exclusive neighborhood to a slum of both the Democratic and Reneighborhood in the course of the publican candidates for President past generation.

(b) The chemical industry which did not exist in its present New Era boom was followed by tage that it has become in a single generation the most exclusive in-

has provided a steady stream of: financial breakdown, the Amer-

(1) better products, whose improvements were calculated in the laboratory.

(2) cheaper products, where technology improved production processes; and finally

(3) entirely new products, like rayon and nylon, which have been created by science and which do their jobs in a manner that is superior to the performance of the raw materials found in nature.

The changing relationships of the various industries to general business tends to send some industrial stocks higher and others lower within the fluctuations of the entire stock market, which, in its entirety, is essentially gauged to the business cycle.

(3) The ebb and flow within an industry. Individual companies experience different results zome forge ahead with dynamic management while others lag behind. This provides a third reason for the fluctuation of stock prices, as individual companies gain or lose in relation to their competition.

(4) News events and psycholfor the fluctuation of stock prices might be summed up as all other reasons, or all reasons that are not strictly of a direct business nature. This category includes reasons that are economically very fundamental and which in due course can be expected to alter the prospects or the profits of business and which, therefore, are more compelling than the This current status of business. category includes, among others, such developments as:

(a) war or rearmament where (1) war material needs added to statistical data as was undreamed normal civilian demands exceed the capacities of our major industries and so bring about controls, and (2) rearmament costs bring about higher taxes which fall heavily upon the investing class;

(b) inflationary trends which create unnecessary money and stimulate both business and prices to the disadvantage of fixed income securities,

(c) labor legislation or policy which has at various times increased costs at the expense of profits.

(d) the sit-down strikes of 1937 which scared businessmen and investors into a paralysis brought on the recession of 1937-

(e) shifts in the gold standard or the status of international monetary exchange which has either helped or harmed our ex-

These reasons also include factors that are essentially psychological like the attitude of businessmen and investors toward the political administration. During the early 1920's investors refused to believe that the postwar level of business could be so vigorous. Thus, while stocks sold at levels that were historically high, stocks were extraordinararily cheap on the basis of their sales, their profits, and their dividends. In due course, psychology shifted and the national psychology, far from fearing that prosperity could not last, decided it would not only on. This delusion was pronounced society and the economic thinking n 1928 makes very little sense to those who have reviewed it with the benefit of hindsight. The

by the most reckless type of stock excesses actually embarassed the While stock prices retreated in the break of 1929 from the reckless thinking of the New Era it was not until the fall of 1930 that they began to reflect the business depression. By late 1931 stock prices again fell due to the collapse of the pound sterling and in 1932-33 they continued to fall due to our own banking crisis. With depositors everywhere becoming scared of their banks, we had a period of silent runs that required bankers to liquidate whatever loans could be realized upon. Since the stock market provided the only source of liquidation that remained open, stocks were sold for whatever prices they would bring. Consequently, stock prices fell to levels in 1932-33 that were as foolish as the peak 1929 prices. We might note, however, that subsequent changes in the banking system, such as the Federal Deposit Insurance and various centrols that can be utilized by the Federal Reserve System, provide ample protection against a recurrence of the 1933 banking debacle.

#### STATISTICAL AIDS

As regards the ebb and flow of business in general, the ebb and flow of industries, and the ebb and flow of companies within an industry, much more sound data are now available to the investor than was true in the 1920's and 1930's. The government, as well as private industry, now collects and evaluates such a wealth of of 20 years ago. These data are available in any well equipped financial institution, and with its proper use such institutions can provide investors with sound advice about the first three factors causing fluctuations in stock price.

(1) The ebb and flow of general business-various data collected on a weekly and monthly basis, such as "new orders," make it possible for trained people to estimate the status of business over the course of the next 3 month period with considerable accuracy, and with reasonable accuracy for 6 months in advance.

(2) The ebb and flow of industries—the government and other agencies have collected a wealth of historical data on various industries, data of a continuing nature which enables trained personnel of a financial institution to accurately advise the investor as to which industries are growing faster than general business, and which industries are falling

(3) The ebb and flow within an industry — various factors have encouraged the more free publication of financial data by companies, all of which has led to the provision of an accurate scoreboard on the relative performance of companies within each indus-

tors are working in different operation weigh one against the other-a very difficult job since the forces at work are almost imponderable.

The Korean episode is a fine example. At the start of last June we were experiencing the greatest peacetime boom in our history; one that was financed in good ore on a prospect that he is conform before World War I, has an inevitable showdown on the part by the reckless extension of used research to such an advan- costs of World War I. Europe's credit in connection with the purbankruptcy had only been post- chase of homes, automobiles, teleponed because of the reckless vision sets, and other types of loans made by American invest- consumer durable goods. The level

its research the chemical industry economy collapsed because of dividend prospects were excellent -but investors were focussing ican economy had become inflated their attention as to how long it could last in view of the credit and real estate speculation. These abuses. Now it is not my intention to criticize installment sales as solvency of our banking structure. such. Actually, installment sales have been a great help in building a higher standard of living by channeling our national spending into homes, autos, and appliances which are of lasting value. However, when we buy on the installment plan we are mortgaging our future—so while a reasonable amount of installment buying is a splendid thing, an excessive amount is sure to bring on a depression. The effects of excessive installment sales on business are obvious, and might well have been the prospect for say 1952.

Then came Korea-our peace boom was immediately threatened by a war boom which would divert steel and other materials into armament products. A high level business activity appears assured for the duration of an armament emergency, including the prospect of a pent up civilian demand for products not available during rearmament.

Developments arising from Korea threaten to:

- (1) cut back on the production of many peacetime products many of whose manufacturers are not equipped to do armament work.
- (2) impose controls so that the limited supplies of raw materials could be equitably used by all industries, and
- (3) increase the level of taxation very drastically.

With the realization of these factors, stock prices broke drastically with the Korean announcements. Many investors rushed to get out of securities, and their selling orders overwhelmed the existing demar I for stocks. As the market fell precipitately, however, a source of investment buying developed. The trust funds in New York which had just received legal permission to place up to 35% of their funds in common stocks decided that the panic nature of the selling provided them with a fine buying opportunity. The net result was that the panic sellers sold to the most permanent type of investors. By mid-July the buying and selling equations were reversed. Sensing the market was not going lower, those who sold in panic attempted to replace their securities. As the war news got better the buying became more insistent so that four months later the leading stock indices are above the levels they had reached in the peace boom prior to Korea.

It is not only hard for many investors to understand these factors, but it is also almost impossible for them to anticipate such developments. Therefore, it would seem wise for such investors to concentrate their buying on the most successful companies in the most successful industries.

#### THE ENGINEERING APPROACH:

Unfortunately, the formula of (4) News events and psychol- successful investing is not quite ogy-Neither the government, the that simple. In periods of enthueconomists, nor the investment siasm speculators are apt to bid community are able to cope with up the shares of top ranking comthe fourth factor, or factors, so panies to prices that are not warsuccessfully. Usually several fac- ranted by their current rates of their near-term or directions making it necessary to prospects. Therefore, an investor would be wise to adopt a formula with which to measure the investment attractiveness of stocks. In this respect, we might well borrow semething from the mining engineer.

> A mining engineer divides the sidering between:

- (1) the proven ore, ore that has already been blocked out:
- (2) the probable ore, ore that vestment neighborhood. Through ors. By the time the European of business, its earnings and logically can be expected to ex-

ist as the property is developed; 1940 when France collapsed; in I would suggest that you contact

(3) the possible ore, ore which may be found if all goes well according to geologic indications. cided to anticipate a postwar de- advice. I would then suggest that to be proven, the ore must be established - that is, opened upon all three sides in blocks of not more than 125 feet square. By taking samples every three, five, or seven feet, the mineral content of the ore can estimated. Although the sampling method may prove inaccurate on individual bodies, exceptions are so few that the mining industry proceeds with its development expenses on the basis of the proven ore samplings. When the size and value of the proven ore has been determined, the engineers can estimate with reasonable accuracy what it will cost to equip the property and extract the values. The profit on the proven ore must be sufficient to make the necessary investment attractive without regard to the probable or possible ore that may be developed in the future. If the latter work out they will yield future profits, and if they fail to materialize there has been no loss on the undertaking.

While mining engineers attempt to evaluate the probable ore as carefully as they can from the evidence on hand, they invariably discount their findings by 80% or 90%, feeling that they are speculating at best and that they must be realistic. As far as possible ore is concerned, mining engineers know that this is only a gamble at best so they pay little if anything for it at the present

This does not mean that in many instances the value of the probable ore did not exceed the conservative estimates and result in profits far above expectations. And, in some notable instances, the possible ore has been of such bonanza proportions that humble miners became million-

Now, in investing in securities we also have "proven ore," which includes a good trade name, fine operating facilities. treasury, and an honorable management endorsed by their own record of accomplishment. The present selling price must be considered against the above factors and the company's present earning power and dividend potential. these factors approximately justify the present prices, then an investor is in a position to consider the probable ore, which in the investment field should be the prospects over the next year to 18 months. If the prospects are for even better results, and current results justify the price, the investor should enjoy a fine capital gain. If, however, the current price includes a payment for prospective results, the investor will be lucky to break even, and he will be a considerable loser if he was wrong. If the investor pays for long range prospects at the present time he is then gambling, pure and simple, and will prob-

In the 1926-29 period the stock market progressively got away from existing values and started to speculate on the brighter prospects that seemed immediately ahead --- then it started to carry the glorious prospects of the New Era far into the future so that the price structures of stocks were skyrocketed into the stratosphere where investors were gamblers at best

The sobering effects of the depression have tended to depress the price of stocks so that, based upon previous standards, it would appear that even the proven ore was selling at a chronic discount. This does not mean that stock prices have not been subject to sharp breaks. Stock prices broke in the fall of 1937 when the sitdown strikes paralyzed all business planning; in the spring of

the winter of 1941-42 while we the services of a reliable investappeared to be losing the war; in ment firm that has the statistical 1946 when investors generally de pression; and finally, this summer with Korea. However, investors industries which are making the who held on to quality stocks in these breaks have seen their purchase prices supported by earning power and adequate dividend yields which in due course have the experience of those who at ridiculous levels and provided unsatisfactory dividend

#### CONCLUSION:

series in order to understand investment problems and to be in a better position to form a sucthose of you intending to invest, results.

resources to render you competent you limit your attention to those greatest headway, and to the leaders in those industries. This will assure you of a splendid location for your investment. Then, with the help of your investment allowed them to recover. This ex- dealer, I suggest that you assure perience is entirely different than yourself that the stock is cheap on the basis of its current operabought stocks on margin in 1928 tions, so that if some unforeseen and 1929 when they were selling event like Korea should interfere you will be able to hold your securities through the selling panic, sustained by the dividend and possessed of a real hope that you will ultimately be advan-The members of the Adult Ed- taged by the future growth of the ucation course have attended this companies in which you have an interest.

Such a policy will minimize the effects of the market fluctuations cessful investment policy. For upon your personal investment

## Railroad Securities

#### Chicago Great Western

In contrast to the rather indifferent action of railroad stocks as a whole, Chicago Great Western common last week attracted considerable attention. 'On relatively heavy volume (floating supply of the stock considered) it pushed ahead on Friday to a new all-time high. It is generally recognized in financial circles that dividends are still a long way off. Property needs are still substantial and there are dividend arrears of \$7.50 a share on the preferred stock. The absence of dividend prospects, however, has not been an important enough factor to overshadow the phenomenal improvement in the road's operating status and long-term earnings potentialities.

As measured by transportation ratios, Chicago Great Western has become one of the industry's most efficient units. The major step in this direction occurred just about a year ago when the Dieselization program was completed. The road was the first one to become 100% Dieselized. Reflecting this improvement in the motive power situation, and despite disruption of operations in June and July by a strike by the road's employees, the transportation ratio for the seven months through July was cut to 32.3%. This compared with 37.9% in the like 1949 interim. The magniture of this 5.6-point cut is obvious when it is realized that each point is equivalent, before Federal income taxes, to \$0.94 a share of common stock.

With the recovery from the short-lived strike, operations have been even more impressive. The transportation ratio in each of the past two months has been well below 30%. As a result, the ratio for the full nine months dipped to 31.0% and should be down to around 30% for the year as a whole. There will be few roads that will show any better performance, and in the case of Great Western the showing would be appreciably better if it had not been for the strike. Next year, barring particularly severe winter storms to which the property is periodically subjected, at least

further moderate improvement is looked for. Complementing the motive power program that was completed about a year ago, the management has instituted a program for the rehabilitation of the plant itself. This phase still has a long way to go if the property is to be put in condition to take the fullest advantage of the improved motive power situation in the expeditious movement of tonnage trains. For some time now Great Western has been running one of the highest maintenance ratios in the industry, as contrasted with its low transportation costs. This condition is expected to continue at least through the whole of 1951 and perhaps throughout 1952. These exceptionally high maintenance outlays as the property is being put into shape tend to obscure the full extent of the improvement in operations.

For the nine months through September gross revenues were just modestly ahead of those of a year earlier. In part, the revenue gain was offset by increased maintenance outlays and tax accruals were also higher. Nevertheless, and almost entirely due to the lower transportation costs, net income of \$2,019,384 was nearly double the net realized in the nine months through September, 1949. Earnings on the common stock, before sinking fund and the Additions and Betterment fund, amounted to \$3.78 a share. On a similar basis, nine months' earnings in 1949 amounted to only \$1.33 a share.

Normally, October is seasonally the best month of the year. It is doubtful if it will be as good this year as September, as the company in September, 1950, took the full credit for retroactive mail pay increases. Even at that, earnings before the funds mentioned above should run between \$5.50 and \$6.00 a share on the common. On the basis of the present general economic outlook, and granting that the road itself will presumably not experience a strike, results next year should be at least moderately higher. Once the heavy property rehabilitation program is over, the same set of circumstances could well result in earnings on the common of between \$9.00 and \$10.00 a share, in the opinion of most analysts. Under such prospects it is hardly surprising that investors are willing to forego possible dividends for a further period of rehabilitation.

## Public Utility Securities

**■** By OWEN ELY **■** 

#### Gulf States Utilities Company

Gulf States Utilities is one of the important "growth utilities" in the South. About 93% of the company's revenues are electric, 5% gas and 2% water. The territory served is a long belt in the south-central portions of Texas and Louisiana, comprising some 27,500 square miles. It extends eastward from Deanville, Texas to Holden, La., a distance of 350 miles. The system is interconnected with the exception of the small isolated property at Alvin. 271 communities and surrounding areas with an estimated population of 660,000 are served, the larger cities including Beaumont, Port Arthur, Baton Rouge, and Lake Charles.

About 12% of revenues is derived from sale of electricity or steam to the oil industry, the dominant activity in the area. Production of chemicals, including synthetic rubber is also important. Other products of the area include rice, cotton, sugar cane, produce, cattle, lumber, sulphur, and salt.

Revenues increased from less than \$11 million in 1940 to over \$27 million in 1950. Even in the postwar period the revenue gain has exceeded 50%. The population of the area has increased only about 65% since 1940, however, so that much of the growth reflects larger individual use of electricity. Thus in the postwar period average residential use per annum increased from 1,170 kwh. per annum to 1,495, an increase of 28%.

The company has been handicaped, and share earnings probably retarded, by lack of adequate generating facilities. At present the company has agreements for purchased power, principally emergency or surplus power subject to availability, amounting to 110,800 kw. and also has to operate obsolete plants having a capacity of 22,050 kw. It has not been able to maintain an adequate ratio of generating capacity to maximum load, and the proposed construction program is designed to improve this ratio and thus eliminate the use of purchased power except through mutually advantageous interconnections. The installation of new capacity in 1949-50, and as scheduled later, is as follows:

#### Kw. Name-Plate Rating of Equipment and Capacity of Purchased Power Sources

OI LUL	THE SCH A	3 44 CT	Jest CCD		
	Total Dec. 31, '49	Prop	osed Addit		Total Dec, 31, '52
Modern economical capacity Low efficiency stations		120,000	75,000	60,000	517,500 22,050
Total Capacity from other sources,		120,000	75,000	60,000	539,550
principally subject to availability by supplier			<sup>2</sup> 85,800		15,000
Total available capacity	385,350	120,000	*10,800	60,000	554,550

It is estimated that the system peak load will increase from 327,600 kw. in 1949 to 475,000 kw. in 1952. The peak load in 1949 exceeded the company's efficient generating capacity by about 65,000 kw., but by 1952 efficient capacity should be 42,500 kw. above the estimated peak load, providing a 9% margin (plus the obsolete units). Material savings and greater service dependability should result from the new generating equipment.

Cost of the construction program is estimated at \$29 million for 1950, \$25 million for 1951 and \$18 million for 1952, or a total for the three years of about \$72 million. It is estimated that half of this will have to be raised through sale of new securities, including the \$7 million preferred stock for which competitive bidding is scheduled on Nov. 21. The method of raising the remaining \$29 million has not been determined.

Capitalization as of Aug. 31, 1950 adjusted for the pending issue of \$7 million preferred stock, is approximately as follows: Long-term Debt \$78,200,000 . 55% Preferred Stock

\*Common Stock Equity (2,720,000 shares) 34,500,000 \$142,700,000 100%

Excluding reported intangibles.

The company's common stock was distributed by Engineers Public Service, in connection with the dissolution program of that holding company, on July 21, 1947. Share earnings for the common stock in the past decade, and the dividends and price range since the stock has been in the hands of the public, are as follows:

Since the stock has been in the in	CILCUL OF C	re bereated		-
	Share Earnings	Dividends Paid	Approvin ie	
1950 (12 mos, ended Aug. 31)	\$1.83	\$1.20	24 - 19	
Calendar Years:				3
1949	1.91	1.20	22 - 17	
1948	1.77	1.05	19 - 14	
1947	1.75	0.25	16 - 12	
1946	*1.54			
1945	*1.08			
1944	*0.86		m m m +s == 19	
1943	*0.81	n n m		•
1942	*0.59			1
1941	©0.69			3

\*Based on 1,910,000 shares.

The stock is currently selling on the Stock Exchange around 19½ to yield 6.2%.

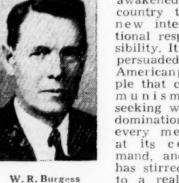
## Financing Defenses

By DR. W. RANDOLPH BURGESS\* Chairman of the Executive Committee, The National City Bank of New York

Banking leader, depicting dilemma between inflation and regimentation, warns against ill-chosen and too heavy taxes. Maintaining we must tax spending instead of production, he terms excess profits taxation poor device in this situation. Indicates government can reduce nondefense expenditures by \$6 billion by cutting back to 1948 level.

consider Korea as a dividing line. loose later. While the Korean episode itself

new international responsibility. It has persuaded the American people that communism is seeking world domination by every means at its command, and it has stirred us to a realistic



resistance. Two conclusions the people of this country seem to have accepted. First, that we and our Western European allies must of maintaining peace.

program

Second, that this is a long term other kind of production. effort. We shall have to be strong, not just this year and next, but This new military effort finds us for decades. There is no visible in the midst of a struggle to dehope for a quick dissolving of the cide how far we shall go on the issues. Such a long range effort road to Socialism. Government moral strength just as truly as for its control over agricultural promilitary strength, for military duction, transportation, communilife of any country.

American people have changed together they add up to a dangerthe economic prospect for this ous tendency away from the decountry.

#### Twin Dangers-Inflation and Regimentation

The injection of a great new military program carries with it of control on our society. two grave economic dangers-inflation and regimentation. Prices are climbing. The cost of living has started to rise again. The dollar, depreciated by World War II and its aftermath, is moving lower. We know too well the results of depreciated money to accept it placidly. It disorganizes the economy; it hinders the defense effort; it promotes wage controversies; it is grossly unfair to the pensioner and everybody else on a static

sist inflation and to focus the in this fiscal year is not likely to ment the life of the people, and is still an unknown but the could release the controls when calls for some 7% of the country's development of productivity. the crisis passed. But in a long present gross national product, To summarize, this country is again to adjust our sights to the range program regimentation is and next year for about 12 to 15%. blessed with a tremendous induspagain to adjust our sights to the Experience here and in Europe work week in manufacturing in credit controls over housing and This is a separate and large has shown that detailed controls September was just under 40 instalment credit, the Federal Re- topic but I want to suggest one

Economic historians may well bottle them up; so they break

This dilemma between inflation pating trouble ahead. may pass quickly, it has made a on the one hand and regimentavast change, tion on the other is the core of our construction. This year we have it has economic problem today. It canawakened this not be solved by rote, or by emo- 000 family units a year. It is fastcountry to a tion, or by letting things drift.

the last war over again. Hence we cause of huge government subshall do well to note that we start sidies and guarantees which enthis adventure in very different able many people to buy houses position from the beginnings of World War II.

In 1939 there were about 9 million unemployed in the United States. There were surpluses of most of the materials for war production. Mines and factories were working below their capacities. Thus, in the early days of war guns could be added to butter. We o f could have them both at the same greater long run stability time. Today there is little unemployment. There are shortages of has carried with it increased delarge number of critical matepromptly arm ourselves against rials of war, such as steel, copper, tors, and washing machines, and possible military aggression. The zinc, and aluminum. Most of the atom bomb is not enough. We country's factories are already have substantial ground working at high rates. We can building will help relieve the conforces, a balanced air force, and a add to our present production, gestion of the economy, and prostrong navy. This is our best hope but also we shall have to substi-vide manpower and materials for tute arms production for some

Another trend should be noted. living. credit. Some of these extensions These two conclusions by the of government may be good, but State Socialism. It would be easy for those who believe in Socialism to use the needs of the arms program to fasten more of these sorts

#### The Production Task

To solve this dilemma between inflation and regimentation the first thing to examine is the country's over-all productive capacity, to discover whether the arms program can be fitted in without the government itself practically taking over and running the productive machine. This year the gross national product of the United States is at a rate of approximately \$280 billion a year. The over-The other danger is that to re- all cost of the armament program figures

ductivity, strength, and morale. sonable expectancy. The average ple. In addition to the specific and to progress.

is steadily increasing and improving plant capacity.

the best is done there will have to be some substitution of arms production for other production.

Fortunately, the present huge output includes many kinds of production which are far ahead, not only of past records, but of probable normal requirements of a making-up of shortages, and in business and individuals antici-

The biggest boom is in building been building at a rate of 1,400,than the rate of growth of The tendency always is to fight families. It is only possible be-Experienced real estate people and lenders have had grave doubts about these methods and their ultimate result. Certainly the present rate of building under this sort of forced draft cannot be con- contains substantial waste, and tinued long without trouble. A other expenditures which may cut now in the building volume well be deferred under present will help check the upward surge of building costs and make for

> The huge volume of building mand for automobiles, refrigeraexpenditures for roads and util-Thus a reduction in new the defense program with a minimum of damage to the standard of

#### Credit Policy

The regulations of the Federal Reserve Board under the Defense bill, the Administration was dicalls for long range policies. It has steadily been increasing its Production Act therefore strike at calls for economic, social, and control over the lives of people, a key point. Only time can tell whether the specific terms of the Budget Bureau report on how this regulations are too severe, or not power today involves the whole cation, power production, and severe enough. Some people who any careful observer that only a are making money out of the building boom will, of course, be hurt. But a check to the building boom was inevitable sooner or tures to the level of 1948, there mocracy we have known, toward later, and there is probably less would be a saving of \$6 billion; damage done by acting now rather and surely what the government than waiting for the bubble to

> a somewhat similar situation. It the necessary defense expenditure. is wholly abnormal for this coun- The military budget should not be try to be producing eight million exempt from this scrutiny. When vehicles a year. A curb on the the government checks its own extension of credit to car buyers extravagance it will be better able offers a rational, relatively fair to ask the people to reduce their way of cutting back production to spending. a rate nearer normal. It is cerduction by regulation or even by other arbitrary method of selec-

There are many other fatty economy on arms we should regi- be more than \$20 billion. 1951-52 and municipalities, business and will be harder. Tax yields will be individuals are all spending far

into production plants constructed ed in this way is limited by the argument for more excise taxes. That will ease the strain—reduce for World War II which have re-need for keeping an orderly mar-rather than more income taxes—the size of the problem. The sec-

cently been idle. New investment ket for the huge national debt. corporate or individual. An excess The record of money policy in the profits tax is one of the poorest past encourages the belief that taxes in this situation, for it re-Just how much total production even the modest changes which moves incentives for added procan be increased by these means have been made may have consid-duction and efficiency of production not measurable. But even after erable influence.

#### The Budget and Fiscal Policy

The other effective instrument tion and the budget and debt fifor the fiscal year 1949-50 was \$3 billion increased the money tary budget for the current year there are some grounds for optim-Congress and the people behind them will face the problem honestly

heavier returns than last year beand incomes are higher. Congress has also passed a tax bill designed to yield \$4.5 billion, which is likely to yield still more.

Second, the expenditure budget conditions. We certainly don't need to spend a billion dollars a year for the government purchase volume of mortgages by credit curbs, and improve their quality, the available mortgages will be absorbed by private lenders. At the present high level of consumpucts. When there is a shortage of workers we should not be spending so much National Government money for relief. We can defer some public works.

Under the latest appropriation rected to cut back budgeted expenditures by \$550 million. The is being done makes it clear to beginning has been made on savings that are possible. If we were to cut back non-defense expendispent in 1948 was liberal. This is the next essential step in making The automobile industry offers room in the national budget for

There are grounds for believing tainly better than limiting pro- that, if the government will thus hold its own spending in check, priorities, and then deciding who the budget can be balanced in the gets the cars by favoritism or any current fiscal year and fiscal policy can be at least neutral in politically. So far the only propothe inflation battle.

The next fiscal year 1951-52, spots in the present economy. The when military spending is likely National Government, the States to rise another \$10 billion or more, higher but probably more taxes put prices, and wages, and spend- mentioned are \$30 to \$45 billion. above a normal rate. Some of this and more economy elsewhere are whether to establish all-out coning, and investment all under It takes some time to get arms spending can be deferred without necessary to achieve a balance, trols, or find some other and more rigid controls. If this were a brief production moving. Thus, in a any real damage to living stand- There is some level of military democratic way of meeting inflaemergency such a program would rough sort of way, we may say ards and with benefit to the de-spending that is beyond the pos-tion. We may lessen the pressure not worry us so much, for we that this year the arms program fense program and the maximum sibility of coverage by taxes consistent with a growing economy.

To the extent that the country's trial production. If the excesses fact that this is a long term strugfor efficient work all the way production can be stepped up to are lopped off, and some spending gle. In the long run too heavy from the unskilled youth to the meet this extra demand the per- deferred, we have the labor, the and ill chosen taxes destroy the of the surest ways of weakening and the degree of strain will both capacity for a large defense proour country in a situation which be reduced. Certainly some in- gram, along with adequate satis- on the individual is dangerously does not cure anything except for ealls for the maximum in pro- crease in total production is a rea- faction of the living needs of peo- heavy — dangerous to initiative a brief period. It conceals the in-

of economic life don't work well. hours, as compared with 45 hours serve System has undertaken by central principle. To do what They encourage black markets or higher at the height of World a policy of tighter credit and needs to be done—encourage proThey favor the speculator and the War II. Some new recruits can slightly higher money rates to put duction and discourage spending.

#### Selling Bonds to Savers

The third leg of the fiscal policy for over-all control of inflation tripod is the distribution of the is fiscal policy, the use of taxa- debt. Through the Savings Bond Campaign, and through sales of nancing to decrease, or at least to bonds attractive to savings instiavoid an increase in, spending tutions the Treasury lodged large the country. It represents in part power. The United States budget amounts of its debt outside the banks during and after the war. part stockpiling by government, unbalanced; the deficit of about Lately both programs have fal-Redemptions of savings supply. The doubling of the mili- bonds have been exceeding sales, and the Treasury has sold praccreates an apparent poser. But tically no long term bonds since December 1945. Maturing bonds ism if the Administration and the have been refunded into short maturities. Today's conditions call for a new emphasis on the distribution of U. S. bonds outside the First, taxes are bringing in banks on terms to attract savers. This is far more important than with little or no cash payments. cause business volume is larger saving a few dollars of interest. Such a program will require the cooperative effort of many people. It requires also a better climate in which inflation is less threatening.

#### Special Problems

So much for the broad areas of fiscal and monetary policy. In the over-all productive capacity and the budgetary position there of mortgages. If we cut back the are no insuperable difficulties to financing the present defense effort without inflation. It is well within our national capacity if we use our vast powers wisely. The basic essential is sound monetary tion and prices we don't need to and fiscal policies. Without them spend the government's money to only confusion will follow. Even support the prices of farm prod- with them, however, we cannot be sure of stability, for there are certain other bottlenecks which might block us off from our goal

One of these bottlenecks is the shortage of certain basic materials like steel, tin, copper, zinc, aluminum, etc. Sound credit and fiscal policies will over a period of months reduce the pressure on these materials by slowing down building and automobile production, but not fully and not quickly enough. Machinery which has been set up for allocations and priorities will have to be used for a time at least. We may well hope it will not be for long, for these instruments have never worked well over extended periods. They drive the business into black markets. They stimulate hoarding.

Wages and salaries are perhaps the most difficult problem of all. They are the largest element in production costs. If they spiral upward they assure continued inflation. The overcrowded defense economy with its shortage of workers induces employers to bid against each other for workers, and puts the worker in a strong bargaining position. This comes at a time when labor is powerful sal to meet this impasse is wage and price ceilings by government regulation under the Defense Production Act of 1950.

This is the most critical point which we face the dilemma by monetary and fiscal policy; we do not solve it.

#### The Democratic Way

Politically wage controls inevitably mean price controls and profit controls in some form, a thoroughly regimented economy. Of course that kind of regimentation flation until it breaks out again somewhere. It is a dead hand on progress and on the spirit of worker and employer. But what is the alternative?

There is no quick and easy anshyster. While they may suppress be added to the labor force, a drag on the use of credit for —we should tax spending and not swer, but the answer includes inflationary forces, they simply Greater efficiencies are always marginal purposes. The extent of production. Taxing spending will first the necessity to handle the possible, and we can again bring the pressure which can be exert—encourage spending will girst the necessity to handle the possible, and we can again bring the pressure which can be exert—encourage spending will girst the necessity to handle the possible, and we can again bring the pressure which can be exert—encourage spending and not swer, but the answer includes the possible.

\*An address by Dr. Burgess before the New York State Chamber of Commerce, New York City, Nov. 2, 1950.

ond is some form of leadership Continued from page 11 and cooperation - some mutual understanding. Surely the Amerious leadership if they are told the facts and the needs.

British experience. When the British devalued the pound sterling a little more than a year ago was generally believed that they had gained only a temporary advantage, because the rise in living costs due to devaluation would bring wage increases and from being spent. Controls on start an inflation spiral. This did credit help to achieve this result. not happen-not because of a law but because strong leaders, and be used in appropriate circumespecially Sir Stafford Cripps, asked labor to hold the line and told them why it was necessary. They did it; and employers held interest to save more and spend the line on dividend payments. If less. But forestalling inflationary the British can do this with their price rises through prevention of lower living standards and a labor spending presents a threat of government, it should be possible future inflation when the barriers here where labor lives well. Bi- to spending are lowered. cycles to go to work there; automoblies here—that is typical.

tive is to look at our picture from increase in demand. This function abroad. To the American traveller is performed directly by price in Europe who sees the difficulties controls, including wage controls, of our partners in this enterprise, and indirectly by all other methwho sees their miracles of recovery since the war, who sees them Increases in the prices of prodnow like Sisyphus starting again to roll uphill the stone they had pushed almost to the top before it rolled back again, our task looks

our strength is so great, our standard of living is so lush, the amount terfered with and damage may be large, that what we are now asked economic structure, unless at the to do should not be very hard.

duction, to forego and defer some measures. Still, it must be recogluxuries, to slow down slightly nized that direct price controls the pace at which we are rebuild- have worked in the past, and are ing America, to pause long enough part of the kit of tools that must to strengthen our military power, be kept ready at hand in case not for ourselves alone, but to other methods do not succeed. preserve the finest civilization the world has known. We have the unquestioned power to do this. Surely our great people do not have to be driven by rods and whips to adjust their living to meet this crisis. It is a choice of laws or leadership and cooperation. The democratic way is leadership and cooperation. It is the only way that succeeds for long.

#### New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm

bership of Edwin E. Soyer to measure. During the last war, it of paying for the defense effort George V. Mahedy will be con- was maintained by many people, through current taxes represents a sidered by the Exchange on including some members of Con-

Transfer of the Exchange mem-Benjamin Miller will be consid- taxes was the narrow one of rais-

Noel & Co. on Oct. 31.

#### Midwest Exchange Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership Frederic C. Beil, Jr., Beil & Hough, St. Petersburg, Fla.

#### Victor Zrike to Be Partner in Shaskan Co.

Victor Zrike will become a partner in Shaskan & Co., 40 Ex- Reducing Government Expenses change Place, New York City, members of the New York Stock Exchange, on Nov. 16.

#### Richard J. Buck to Admit

way, New York City, members of worth what they cost, more than nomic burden; it postpones only ing on agriculture. In computing nature of the economic problems the New York Stock Exchange, they cost, or less than they cost, the allocation of the financial bur- parity prices, increases in the of the defense economy, these will admit Charles H. Sabin to The last, of course, should not be den. Postponement of the finan- prices of things which the farmer problems will prove to be reasonlimited partnership on Nov. 16.

# can people have the wisdom and the will to follow frank and vigor-

more than exists to be bought. Taxation is essential to the continued success of all other methods of preventing inflationary price rises. The second method is to prevent current incomes, past savings, and newly created credit Allocations and rationing may also stances. It is very important also to persuade the people that it is in their interest and the public

The third method of forestalling inflation is to prevent incomes One way to keep our perspec- from rising, thus preventing an ods which prevent price increases. ucts and the factors of production are increases in the incomes of seilers. If and when other methods fail, direct controls of the prices may be used to prevent in-Looked at from across the water comes from rising. In the process, of course, market forces are inof waste in our economic life is so done to the functioning of the same time the suppressed demand We are asked to step up pro- is relaxed by taxation or other

> It should be stressed that none of the methods of forestalling inflation creates the burden of the defense program. That burden rises from the requirement that resources and manpower be withdrawn from the production of civilian goods and services at the same time that money incomes are being enlarged by increases in total production.

Let us return to the proposition that tax increases are the basic foundation of any program for forestalling inflationary price rises. To hold to this view, it is of course, necessary first to accept the economic belief that taxation Transfer of the Exchange mem- is an effective anti-inflationary gress, that the appropriate way to fight inflation was by price con-We may recall also that in the controvers over tax reduction in Congress maintained that taxation was inflationary rather than deflationary. Yet, if there are any doctrines that economists universally believe, one of them is surely that two basic remedies for inflation are reductions in Government expenditures and increases in taxes.

excuse for inefficiency in Govern- the defense effort, i.e., borrowing. Richard J. Buck & Co., 39 Broad- Government programs may be does not postpone the total eco- income increases also has a bear- selfishness and understand the undertaken. But determining the cial burden means that in the fu- buys would not, under this prin- ably solvable.

from people, thus decreasing their worth of governmental programs We may illustrate from recent ability and willingness to buy to various segments of the public is an economic and even a philosophical problem of no small dimensions. It will be agreed, however, that some programs which are clearly worthwhile in of postponement; when taxes pass a period of relaxed peace may have to give way when the pressure on the economy of defense requirements rises as it is rising today. I do not recall knowing anyone who does not recognize this effect of changing times on ever hopeful that somehow somethe importance of governmental one else will bear the taxes programs. Of course, opinions dif- later. But we, the public as fer about how important certain a whole, will either bear the taxes programs are.

Substantial reductions in nondefense expenditures have already been made. I am sure that anything you can do to further reduce expenditures on Government programs that have a low priority will be more widely appreciated in Washington than you may believe. Government programs are not spawned by a few wilful men. They result from pressures by large groups of the public. Our political system is not well adapted to resisting such pressures. The effort to reduce Government expenditures which do not promote are running ahead of the productive power and public morale of a defense economy is laudable, but we should not expect too much to come from it.

Heavy reliance in fighting inflation must be placed on tax inthat an increase of taxes in a time ready. All that the higher taxes burden at once and finally. Taxation is superior to other methods them. of preventing inflationary price rises in important respects. It does not interfere with the operapresent the threat of future inflaburden at the same time the economic burden must inevitably be borne. It protects the men and the ironic unfairness of fighting a war and coming home to pay for it too. Taxation is the normal Government expenditures. In the absence of very good reasons, the total cost of the defense program should be paid as we go, out of current revenue.

great advance in public sentiment over that existing 10 years ago. In all the problems which high taxes 1940 a very small defense probership of Nathan C. Bernstein to trols and that the function of gram was financed by borrowing which was to be repaid over a 5ered by the Exchange on Nov. 16. ing revenue. The recent quick re- year period. I hope the advance Mortimer W. Loewi retired as action of the public in demanding represents a permanent gain. Allimited partner in Van Alystyne, general price controls at the outset of the Korean crisis may re- you-go. The test is whether you are based on increases in the cost flect a continuation of that view. or I will still be for pay-as-you-go of living. Following this principle when we see the taxes and rates would mean that tax increases will not work unless we have a that will be required to achieve 1947 and 1948, some members of that result. As I recall, when the er would not be considered in national interest ahead of private Revenue Bill of 1943 was under wage negotiations and that the ef- interest. If important segments of consideration, not a single im- fects of tax increases on prices the American public are going to portant organization of businessmen, farmers, or workers was in favor of higher taxes, despite the fact that in the fiscal year that had just ended, budget receipts of workers would be placed in a that their incomes after taxes were less than 30% of expendi- peculiarly favored position being must be kept sufficiently high to tures. The danger is that once protected against both taxes and maintain their accustomed habits again when the American public sees what is involved in paying for the defense program through the community would be obliged remedy except to impose com-Of course, we should make taxes, there are influential groups to bear an increased part of the pulsory direct controls. I am conevery effort to reduce Govern- which will discover that there are burden, in either taxes or infla- fident that once the farmers, the ment expenditures. There is no other, "better" ways of financing tion.

pull at a level considerably less or other shifted taxes. than that of all-out war, there seems little sense in trying to postpone the financial burden to still a longer run. Psychologically there is some value in the mirage some very high point, it may be necessary to resort to this mirage. But we should not use it unless it becomes imperative. Putting off the financial load until later eases the present pain, and we live foror bear the inflation. It is better to bite the bullet now, while the threat is upon us. The long pull, whether it lasts five years or a generation, is not the kind of time to be piling up even a noninflationary type of debt.

#### Meaning of Pay-As-You-Go Policy

Pay-as-you-go does not mean simply pay sometime within a year or two or three. It means literally collecting the money not later than the time it is spent. Indeed, since inflationary pressures expenditures, the use of taxes to fight inflation calls for the largest practicable tax increase at the earliest possible moment. If surpluses of revenue are thereby achieved, so much the better in creases. Let me emphasize again fighting inflation. The tax law which was recently passed is an like this does not create any new excellent start. If taxation is to economic burdens. The defense achieve its maximum usefulness program has created them al- in fighting inflation, this law must be followed up with other very do is to distribute the financial large tax increases as soon as Congress is in a position to consider

If taxation is to perform successfully its anti-inflationary mission, tax increases must not give tion of market forces. It does not rise to compensatory increases in the incomes of those on whom the tion. It distributes the financial tax is intended to rest. The purpose of a tax program is to distribute the burden of taxes among the various taxpayers in a fair women of the armed forces from and economically sound manner. If any major economic group is able to escape the burden of the tax by securing a larger income, method of providing funds for the intended burden distribution will be frustrated, and the tax does not achieve its anti-inflationary goal, since it does not reduce spending. It is then necessary to increase the burdens and reduce The general acceptance today the spending of other economic groups. This is unfair and necessitates an unnecessarily large total volume of taxation, intensifying produce.

> The principle that tax increases must be absorbed by the persons who are intended to bear them has a direct bearing in applying wage apply directly to

ment at any time. Efficiently run Even noninflationary borrowing should not result in compensatory ican economy see the dangers of

ture either higher taxes or infla- ciple, include any price increases tion will extract the price which which reflected tax increases. was avoided during the defense Otherwise, the parity price forperiod. Borrowing is appropriate mula would operate to protect in a short and intense period of farmers against tax increases imall-out effort. But for the long posed in the form of sales, excise,

> Under this principle also, prices would not be raised by either private or public action because of increases in corporate income or profits taxes. Otherwise business would escape the load intended for it and other groups would be unfairly burdened. Similarly, there are implications of this principle with respect to the excess profits tax. Measurements of excess profits would be based on profits before taxes rather than on profits after taxes, at least so far as tax increases are concerned.

One of the most puzzling problems of fiscal policy in the defense effort is how to promote equality of sacrifice in the face of the common emergency and at the same time give sufficient incentives to get the job done. As long as members of our armed forces are in personal danger or are being drafted from families and professions, emphasis must be strong on promoting equality of sacrifice, although obviously this cannot be completely achieved. There must be no great private gain from the defense effort, if the public generally is to be expected to bear the restrictions and burdens placed upon it. However, in our economy primary reliance for production must be on willing personal effort carried on without fear of the snooper or the threat of court martial. It has proved difficult through patriotism alone and without extra compensation to sustain the extra effort and extra efficiency that are required to get the job done. And to those who are not themselves required to put forth an extra effort, any extra reward received by others may appear to be the direct opposite of equal sacrifice. The problem is particularly difficult in the distribution of the tax burden. I do not know if there is a solution, but mutual forbearance and understanding will help.

The problem of how to prevent inflation in the defense economy is largely one of unpleasant alternatives. They are, of course, not altogether alternatives. It will undoubtedly be necesary to use in some degree all or nearly all the methods available to fight inflation. It is important to understand that the higher the taxes are raised, the less necessary it is to resort to the other, less desirable, methods of preventing inflationup to the point where taxes exceed their economic limits. There is no royal road for bringing the economy safely through strains of the defense program. It will take all of the understanding that we have, all of the self-restraint we have, and a great deal of willingness to accept onerous deprivations and burdens if we are to avoid damaging inflation.

But Government by the people responsible public which puts the would be excluded in computing assume that they must be protecthe cost of living. If this principle ted against sacrifice, if groups were not followed, these groups with large economic power insists inflation, while other groups in of expenditure, then there is no workers, the businessmen, and This principle that tax increases other major groups in the Amer-

## The Rising Sun of Japan

undertaking costly military adventures in Manchuria and in Japanese as well-recall that one-North China. The real aim was a Japanese Empire that dominated the resources and trade routes of the Far East. The avowed objective was the so-called coprosperity sphere. Under this concept the Japan can ever again become selffood and raw products of many areas, from Java and Sumatra to with China and Manchuria. Formosa and Korea, rice, oil, copra, rubber and tin, would be traded for machinery, textiles and other manufactured and congoods produced in Manchuria and Japan. All this, they said, was for the greater prosperity of all Asia.

These economic objectives were bargoes. generally sound, and if peaceably and fairly pursued could have increased the per capita wealth and raised the standards of living throughout the area. But unfortunately Japan elected to carve out her coprosperity sphere with the sword, and to dominate its economic life by force. After the fall of Shanghai, only our own open door policy in China, and the British Empire's hold on Hongkong and Singapore, threatened her ambition. So Japan threw caution to the winds, took the gamble of war-and lost her Empire. The physical and spiritual destruction of war engulfed most of Asia and left it desolate. The surplus food and raw materials of the outlying islands and other areas — which represented the foundation and the economic basis of the vaunted coprosperity sphere -had disappeared along with most of Japan's industrial production. Neither Japan nor her tain strong American forces in oceanic hinterland had anything strategic areas, and that Japan is to trade, even if the peoples who one of these vital areas. been willing to trade.

food to keep her people alive. Her at the same time contribute to the trade had ceased and there were no exports to pay for food. Even Japan. worse, there was no food—no rice —in all Asia to spare, even if Japan had the cash or credit to buy—which she didn't.

So we not only had to pay for relief food-we had to grow it and ship it. Fortunately for Japan, and for Europe as well, our wheat crop and our corn crop made new records year after year.

Even three years later, in 1948, 90% of the food shipped into Japan-which kept her alive-was grown in the United States. It was paid for 100% by American appropriations. Then the tide burned. During the current fiscal year, two-thirds of the much larger food imports into Japan are coming from non-American sources, and mostly from Asia. Likewise two-thirds are being paid for by Japan's own exports and only a third by American appropriations. And a year from now, if plans and predictions come true, the complete cycle will have revolved. Ninety per cent of Japan's food will be paid for by her exports, and will come from non-American areas, and we will grow and pay for only 10% ourselves.

I cite this in detail because Japan could never pay for dollar placed the hate of war. wheat carried in dollar ships and still support herself. I cite it also because it shows how quickly a world at peace can produce, and adjust and repair the ravages of war. Japan is again shipping machinery to India and textiles to why I am bullish on Japan and her future.

Many Americans - and many third of Japan's prewar trade was with the Chinese mainland. They point out that commerce with Communist China today is but a trickle. They question whether supporting without heavy trade

and iron ore from China, and she needs China's markets as well. And gradually, if China trods the paths of peace and produces things with which to trade, there will be commerce between the two, despite ideologies and em-

#### Japan Now Paying Her Own Way

But the fact is that even today Japan in a sense is already pay ing her own way without much trade with China: American appropriations for Japan, which two years ago exceeded a half billion dollars, are this year about two hundred million dollars. But the value of occupation costs-which means the shelter and services furnished by Japan to our occupation troops from the Japanese budget-actually from yen taxes levied on the Japanese peoplethis value today is at least equal to our current dollar appropriations for Japan. If our army in Japan was on a pay-as-you-go basis, as we are today in Austria, and paid dollars on the barrel head for services received, Japan's foreign exchange budget would be in balance. It is clear that we must main-

tain strong American forces in had been conquered by Japan had our economic aid is no longer needed-only a year or two from In 1945 General MacArthur now, I predict—our forces there found Japan on the verge of star- can well pay their own way at no vation and unable to grow enough greater cost than over here, and economic and military security of

> When the North Koreans crossed the 38th Parallel, and threatened to wipe out the Republic of Korea, we had four understrength divisions in Japan. This was a small force to police a country of 80 million people. Compare it with Russia's 30 divisions in Eastern Germany, which has only onequarter the population of Japan. But when we went to Korea's aid General MacArthur, without hesitation, and with full trust in the Japanese people and their government, shipped three divisions to Korea as quickly as possible, and later sent the remaining divisions to support the Marines at Inchon. Japan was almost stripped of American troops. Our occupation was in name only. No single incident occurred. The Japanese people were fully confident of American victory and cooperated in every possible way. For five years the Allied Occupation had been an outstanding success. It Japanese people, and when the Korean test came, the Japanese friendship for America had re-

#### Time for Peace Treaty

The time has come, indeed it has long passed, to recognize formally that we are at peace with Japan, and to turn back sovereignty to her own government. Indonesia and consumer goods to Japan has faithfully carried out the Philippines, and is importing every obligation of the surrender rice and oil, and bauxite and iron document and she is now legally ore from Southeast Asia. She is and morally entitled to reenter her part of the world. That is why occupation, but to recognize close Japan has turned the corner, and political and commercial interests

Commonwealth agreed months ago that a peace treaty with Japan try is not yet prepared to make fair and reasonable terms, we should wait no longer. After Korea, we cannot continue to let Russia call the time.

When the Japanese Constitution was adopted, it dropped war as an instrument of national policy, in the belief that a peaceful world was in the making. Later events have shown all too clearly that world communism is on the I agree that Japan needs coal march, and threatens any nation which cannot meet force with Korea has just proven this tragic fact. General MacArthur has repeatedly called attention to the inalienable right of self-dewhich applies to Japan, just as to every individual and to every nation. When a Japanese treaty of peace has been signed, she herself should decide whether or not to arm against outside attack. I feel sure the Japanese people will want American troops and American planes to stay in Japan for her security, and we must keep them there for our own defense as well. Japan is a vital part of the defense line of the free nations. It must be held so long as the communist threat continues. But we should not alone bear the full burden for the long future, nor would this be in keeping with the national desires of a proud people like the Japanese, who. I feel sure, will want to share in the responsibility and the cost of maintaining their own national When Japan life and defense. again becomes one of the association of free nations-a member of the United Nations-she will not fail to recognize the moral responsibility that goes with independence and sovereignty, and will do her full part.

The need for economic aid is growing less just as it is in Europe. The time may soon come, however, when Japan, like Europe, will need our help in rearming against aggression. Just as in Europe but on a far smaller scale, we can effectively strengthen our own defenses and those of Japan by contributing toward the rearming of Japan in the interest the entire free world.

As the freedom-loving democracies rearm, to prevent attack and maintain the peace, we must assess the strategic position as realistically and as clearly as does the Kremlin. The free democracies' left flank lies in Western Europe. where the ground strength to hold against possible invasion must be built up rapidly. The central position with its reserves of industrial production and of manpower lies the Western Hemisphere, in South America, in Canada, and in the United States. But the vital right flank facing Communist China and the Russian port of Vladivostok is clearly Japan. If the free world's position is to be maintained, both flanks must be strong, in an economic sense, in a military sense, and in a spiritual sense. Japan has today a strengthening economy, and a democratic had elicited almost unbelievable government, and spiritually has Cooperation from the Emperor, the cast her lot with the West. We Japanese Government and the must recognize her importance as a nation, her position in Asia, and her potential contribution in proved once and for all that true maintaining the peace of the world. We must admit her to the partnership of free nations.

In conclusion, let me quote from a booklet published by the Public Information Division of the Ministry of Foreign Affairs of the Japanese Government. It was dated August 19th of this year, when the issue in Korea was still very much in doubt. It was titled 'Our Position in the Korean Conflict," and it concludes:

"The war for democracy in Koworking hard, and producing in the community of nations. The rea is nothing less than a war to quantity, and trading again with time has come not only to end the protect democracy in Japan. Without giving today the United Naand to establish a true partnership tion forces, which are fighting in between the United States and Korea, all possible cooperation, ties business.

security for tomorrow?

was overdue. If any other coun- in the cold war. Let us remember for its own ends, and the result would be a dirge for democracy in Japan."

## Business Man's Bookshelf

Economics of Freedom, The-Howard S. Ellis — Council on Foreign Relations, 58 East 68th Howard S. Ellis -Street, New York 21, N. Y .- \$5.00.

Interim Reports-Chemical Prod-

Japan. The nations of the British how can Japan assure her own ucts Committee (45c); Coal Committee (45¢); Food and Agricul-"We cannot please both sides ture Committee (45¢); Electricity Committee (90¢); Iron and Steel that an ambiguous attitude, no Committee (90¢); Machinery Commatter how honest, would ulti- mittee (45¢); Manpower Committee (45¢); Manpower Commately be utilized by communism mittee (30¢); Maritime Transport Committee (45¢); Non-Ferrous Metals Committee (60¢); Oil Committee (30¢); Overseas Territories Committee (\$2.50); Textiles Committee (45¢); Timber Committee (45c); Trade Committee (60c)-Columbia University Press, 2960 Broadway, New York 27, N. Y.

> Security of the Middle East, The-Brookings Institution, Washington 6, D. C.-paper-60c.

> Thoughts on the Business of Life - The B. C. Forbes Scrapbook of quotations from the great minds of yesterday and today-B. C. Forbes & Sons Publishing Co., Inc., New York, N. Y.

With Faith in Their Hearts-Carl Halbak-Commemorating the 25th anniversary of the National European Recovery Programme Gypsum Company, Buffalo, N. Y.

## Securities Salesman's Corner

By JOHN DUTTON

Sometimes the longest way around is the shortest way home. This is a case where one salesman failed to open an account and another come right behind him and had no difficulty in doing business with this customer. One man wanted to do it the hard way, the second man took the lines of least resistance and was

We often have noticed that too much pressure is resented—it is true in every field of selling. In this instance the first salesman called upon a woman in her late sixties. He had never met her before the call, but she had answered an advertisement in the newspaper wherein his firm offered an income program paying monthly returns. He discovered that she needed more income and that she seemed to believe that she had too much in government bonds. From this point on he tried to sell his planned program, which in this case was a combination of three mutual funds that paid dividends quarterly.

He stressed the advantages of his program: its stability, its diversification, its possible protection against further inflationary price trends, the monthly income feature and the greater return. He was getting along famously when his prospect asked him what he thought of a certain listed common stock. He replied that he thought that it was a pretty good investment, but after all he didn't think she should buy anything like that when she could obtain such an excellent investment program if she bought his three mutual funds. Where he made his mistake was, that he did not notice that his lady was more than casually interested in knowing more about the listed stock. When she tried to open up the subject again, he once more brushed such consideration aside with the comment that "he guessed it was all right, but if later on she wanted to buy some of it he could always take here order.'

He made two more calls after his first interview and still he had no success. His prospect was on the fence, could not decide, and each time he called she mentioned the listed stock. Finally, our salesman came back to his office and complained that all this prospect wanted to do was to buy something on which he couldn't make a profit. In all fairness to him, however, he was a new man in the business and his sales manager saw immediately where the trouble was located. But he got there too late!

Meanwhile, a second salesman had heard that this prospect was in need of greater income. He made the call and when he was asked about the listed stock he immediately asked some questions. He found out that this lady had a son who worked for this company whose stock was listed and that her son was also very much interested in helping his mother set up a good investment program. He told her that he would like to meet the son and that if they could all sit down together and work things out, possibly they could select some good investments which might be just right for her; and, incidentally, might well include the stock about which she inquired. It was a conservative stock and he told her he thought it could be part of a sound program and that his firm would be happy to buy it for her. Of course he opened the account.

The most important thing is to get action! If you start to do business with a customer then you can gradually build up confidence and friendship. Buying securities from one firm can become a habit with customers just the same as trading in any one store can become a fixed procedure with people who wish to buy anything else. If you handle all types of securities (whether or not you make anything on some of them) it will pay you in the long run. You will sell what you want to sell only when your customer believes that it is in his best interest to buy it. If he ever finds out that you don't want to buy him a listed stock because you can't make anything on it you are bound to lose face with him. And if you think it through-isn't he right?

What people want more than anything else is to believe that the man they are buying from is more interested in their welfare than in his own. If you, too, can believe this and put every effort into making this your creed, you will surely succeed in the securi-

## **Investment Companies** Gear to a War Economy

weakness. Consequently, we bedeclines, and to take advantage of a lot of 1,000 shares. Gulf Oil Service, Houston Oil Co. of Texas, acquired by eight companies. of favorable opportunities to purchase common stocks.

#### Uncertainties Stressed

The extent of caution is more pronounced in the New England Fund management as its trustees reported to shareholders that 'many acute uncertainties are as yet unrelieved including the extent of economic controls, further normal tax increases, excess profits taxes, and many other factors. Until definite government action clarifies business prospects, your Trustees do not expect to use the reserves built up through sales of portfolio securities in the second quarter. In fact, more stocks were sold (and profits realized) because they seemed to be especially vulnerable to anticipated developments.

But the ultimate in caution as expressed by managers in third quarter reports appears in the succinct statement of William Howard Schubart, President of Bowling Green Fund: "Examination of the list of securities currently owned by your Fund will disclose that on Sept. 30, 1950, 42% of the net assets of the Fund consisted of cash, U. S. Treasury Certificates, bonds and convertible preferred stocks. . . . This position is predicated on the expectation that, in the not too distant future, our economy may begin to manifest the effects of the stresses and strains resulting from conversion to a 'siege economy.' The public has established a substantial personal inventory and some cessation of buying may be assumed, if and when proper antiinflationary measures are taken by the authorities. It is a time to be careful and your Directors are acting accordingly.

#### Some Canadian Securities Bought

Few acquisitions of issues relatively unfamiliar to trust portfolios were made during the period. Hancock Oil of California was purchased to the extent of 1,-200 shares by Incorporated Investors. Bullock Fund acquired common stock of Canadian Superior Oil of California. Chief purchase of Canadian securities, however, was made in the internal Canadian Government 3s of varying maturities by several manage-ments. Only slight interest was shown in the common equities of other investment companies. Knickerbocker Fund purchased 2.000 shares of United States and Foreign Securities. American International disposed of 37,819 shares of American Express, its parent, leaving 6,181 in its portfolio.

#### Shell Oil Popular

Shell Oil was the most popular issue among the petroleum stocks. 10 investment companies purchasing a total of 31,900 shares, six of which were new commitments. Shell had not been too well bought the previous quarter, there having been only four purchases of 3,700 shares. This approximated the liquidation in the current quarter. Second most heavily bought stock

was fourth in acceptance by man- Seaboard Oil (Del.), Signal Oil However, there were only three agements, receding somewhat and Gas "A" and Texas Pacific new commitments in the former from its position in the previous Coal & Oil. quarter of the second best regarded issue. Five funds purchased interest in the rails is indicated 4,600 shares. Offsetting sales of by the fact that the number of Union Pacific. The same number 14,200 shares, however, were made purchases tripled those of the of funds purchased a total of 31,by three trusts. 13,500 shares of preceding quarter. Southern Pa- 500 shares of Illinois Central, four Standard Oil of California were cific was the leading favorite, imposed by government agencies, in the group was Pure Oil, eight also acquired by five manage- 14 managements acquiring a total chases. There were no offsetting ments. Buyers favored slightly of 40,200 shares; six of these made sales which is interesting because the cessation of war-inspired for- which represented initial pur- both Standard of Indiana and Jer- initial commitments. There was ward buying may actually pro- chases; one block of 1,000 shares sey, but Standard of Ohio was one one small sale of a lot of 400 duce a moderate decline in gen- was eliminated from another port- of the only two issues in the group shares. During the short-lived eral business and an intermediate folio. Switch in buying prefer- to be sold on balance, three man- previous run of popularity of the reaction to the current inflation ence from one quarter to the next agements disposing of 6,500 shares. carriers in the second and third psychology, before the full impact among individual issues is accen- The other oil liquidated during quarterly periods of 1948, Southof armament production is felt tuated by the fact that opinion the period was Mission Develop- ern Pacific had been first and next year. In addition, unanticipated events seem likely, from on Pure Oil as well as by the distribution from Mission Cortime, to cause more shocks vergence of activity in Shell. Five poration during the period was Mission Developed ern Pacific nad been first and second most popular issue respectively, but neither the volume nor scope of purchasing ever apto public psychology and market funds made new commitments in quarter. Four trusts sold 24,950 proached that of the current quarter. lieve that adequate reserves Socony Vacuum and a sixth added shares of this latter stock. Addi- ter. Atchison and Chicago, Rock should be maintained to provide to holdings in an amount totaling tional buying by three trusts in Island and Pacific vied for second insurance against such possible 144,500 shares; there was one sale each issue was made in Cities place in popularity each being companies. Opinion was divided

The extent of revival of buying

were made in Rock Island. Seven trusts bought 12,300 shares of of which represented initial purthis is one of the few carriers that met with even lukewarm acceptance in the preceding quarter. 14,900 shares of Pennsylvania were acquired by five funds, three making new commitments. Five managements also bought 23,600 shares of Canadian Pacific, but two others eliminated all portfolio holdings. Chesapeake and Ohio, Seaboard Air Line and Southern were each purchased by three

Continued on page 26

## Balance Between Cash and Investments of 62 Investment Companies

1	and of Qua	rterly Periods	June and S	September, 19			G Gul	Div. Fame.	
	Thous.	Net Cash & Gov'ts Thous, of Dollars ——End of———		sh & Gov'ts r Cent	Preferre Per C	Bonds & ed Stocks Cent *	Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent ——End of——		
Open-End Balanced Funds:	June	Sept.	June	Sept.	June	d of————————————————————————————————————	June	Sept.	
American Business Shares	13,880	13,999	41.0	39.4	5.5	4.7	53.5	55.9	
Axe-Houghton Fund		1,868	9.2	15.1	5.6	4.9	85.2	80.0	
Axe-Houghton "B"	2,147	2,757	17.9	18.9	12.6	13.1	69.5	68.0	
Boston Fund		8,366	13.8	14.9	27.0	30.3	59.2	54.8	
Commonwealth Investment		2,727	10.1	12.6	19.8	17.9	70.1	69.5	
Eaton & Howard Balanced		3,747	6.7	6.3	30.3	29.4	63.0	64.3	
Fully Administered Fund		1,526	17.8	29.6	14.4	13.1	67.8	57.3 78.1	
General Investors Trust	01000	377	14.3	17.1	4.9	$\frac{4.8}{29.1}$	80.8 62.8	65.1	
Investors Mutual		12,709	10.9	$\frac{5.8}{19.2}$	$\frac{26.3}{13.9}$	14.0	56.9	66.8	
Johnston Mutual Fund		$\begin{array}{c} 147 \\ 190 \end{array}$	29.2 6.0	11.4	27.7	26.7	66.3	61.9	
‡Mutual Fund of Boston		484	3.2	2.4	17.5	19.6	79.3	78.0	
National Securities-Income		2,179	15.0	14.3	36.2	34.1	48.8	51.6	
Nation Wide Securities Nesbett Fund	400	96	19.0	15.7	23.2	24.5	51.8	59.8	
George Putnam Fund		4,368	10.1	10.5	20.0	20.1	69.9	69.4	
Scudder-Stevens & Clark		<b>†</b>	21.2	†	25.8	*	53.0	÷	
Shareholders Trust of Boston		245	4.8	4.4	26.1	24.6	69.1	71.0	
Wellington Fund		28,668	19.9	20.3	18.0	17.3	62.1	62.4	
Whitehall Fund	0.0	40	2.6	3.0	44.9	43.8	52.5	53.2	
Wisconsin Investment Co.		575	8.8	21.0	None	4.1	91.2	74.9	
Open-End Stock Funds:	9.971	50	3.4	0.1	0.3	0.3	96.3	99.6	
Affiliated Fund		59 231	20.6	35.4	7.5	14.2	71.9	50.4	
Bowling Green Fund		913	3.8	6.0	4.5	3.9	91.7	90.1	
Broad Street Investing	4 0 4 5	1,068	17.5	12.6	0.8	0.7	81.7	86.7	
Bullock Fund Delaware Fund		95	2.4	1.5	11.8	3.9	85.8	94.6	
Dividend Shares	0.005	9,644	11.1	11.4	2.1	1.9	86.8	86.7	
Eaton & Howard Stock		963	14.8	17.5	2.4	2.0	82.8	80.5	
Fidelity Fund	4 = 00	1,527	4.5	3.9	1.2	1.1	94.3	95.0	
First Mutual Trust Fund	,	49	1.8	1.4	43.2	42.3	55.0	56.3	
Fundamental Investors		6,602	4.7	8.9	0.4	0.3	94.9	90.8	
General Capital Corp		2,067	13.7	16.7	None	None	86.3	83.3	
Group Securities-Common Stock Fund		24	2.9	4.3	None	None	97.1	95.7	
Incorporated Investors		4,595	5.3	5.2	None	None	94.7	94.8	
Institutional Shs.—Stk. & Bd. Group		93	4.0	3.7	None	None	96.0	96.3	
Investment Co. of America	1,304	1,938	15.4	19.1	None	None	84.6	80.9	
Investors Management Fund		997	4.1	8.5	None	None	95.9	91.5	
Knickerbocker Fund		944	10.6	7.2	None	None	89.4	92.8	
Loomis-Sayles Mutual Fund		Ť	36.0	1	8.5	‡	55.5	1	
Loomis-Sayles Second Fund		7	36.5	9.4	6.5		$57.0 \\ 97.2$	97.6	
Massachusetts Investors Trust		8,029	2.8	2.4	None None	None None	97.8	97.4	
Massachusetts Investors 2nd Fund		562	2.2	$\frac{2.6}{12.9}$	35.3	35.4	50.4	51.7	
Mutual Investment Fund		105 710	14.3 1.5	3.4	None	None	98.5	96.6	
National Investors		834	22.3	23.8	3.5	3.2	74.2	73.0	
New England Fund		507	15.8	21.1	0.5	1.9	83.7	77.0	
Republic Investors Selected American Shares		1.410	6.1	7.7	0.6	None	93.3	92.3	
		16	6.1	3.9	10.7	7.3	83.2	88.8	
Sovereign Investors State Street Investment Corp		17,838	20.0	20.7	None	None	80.0	79.3	
Wall Street Investing Corp.		418	21.7	19.5	2.7	2.5	75.6	78.0	
Closed-End Companies:									
Adams Express	3,807	3.072	9.5	7.1	None	1.9	90.5	91.0	
American European Securities		1.258	7.9	12.1	9.3	9.6	82.8	78.3	
American International		1,413	9.4	7.1	None	2.8	90.6	90.1	
SBlue Ridge Corp.		12,603	20.6	36.7	1.5	1.5	77.9	61.8	
Capital Administration		502	4.8	5.7	13.4	12.8	81.8	81.5	
General American Investors		11,610	22.6	25.6	2.4	1.3	75.0	73.1	
General Public Service	1,432	2,738	15.2	22.7	None	None	84.8	77.3	
Lehman Corporation	12,813	17,604	13.0	16.5	0.2	1.0	86.8	82.5	
National Shares Corp	1,452	1,423	14.1	12.8	3.8	7.7	82.1	79.5	
Selected Industries	1,861	2,236	3.8	4.2	11.8	11.2	84.4	84.6	
Tri-Continental Corp.		3,945	4.9	4.9	12.8	12.9	82.3	82.2	
U. S. & Foreign Securities		1,983	5.0	4.5	None 0.4	None 0.4	95.0 80.7	95.5 85.7	
U. S. & International Securities	7,970	6,575	18.9	13.9	0.4	0.4	00.1	00.1	

\*Investment bonds and preferred stecks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds, †No interim reports issued to stockholders on this date. June figures revised. Portfolic exclusive of securities in subsidiary or associated companies. Name changed from Russell Berg Fund

S U	MMA	R Y		
Change in Cash Position Open-End Companies:	Plus		Companies Unchanged	Totals
Balanced Funds	11	4	5	20
Stock Funds	17	6	6	29
Closed-End Companies	9	3	2	14
	-			-
Totals—All Companies	37	13	13	63

## **Investment Companies** Gear to a War Economy

on balance in any individual carrier was negligible.

#### Steels Lead

The steel issues assumed their expected position of leadership with demands of a war economy being superimposed on high peace-time capacity and Bethlehem, as also might be anticipated, was the most popular stock in the industry. Twelve investment company managements purchased 72,-700 shares, half of which represented new commitments; two small sales totaled 900 shares. United States Steel was next in demand, four trusts making initial purchases and four others adding to portfolio holdings. Total overall dollar investment acquired, however, exceeded that of Bethlehem since purchases of Big Steel totaled 103,100 shares. There was selling from four portfolios. Youngstown Sheet and Tube was also well liked, seven funds buying 8,000 shares; two off-setting sales totaled 1,850 shares. Four new acquisitions were made of Republic Steel and two additions to lots already held. No sales offset these purchases which totaled 6,400 shares. Armco Steel was bought by five managements, four of which made initial commitments. Two others completely eliminated the issue from their portfolios. 3,100 shares of Allegheny-Ludlum were added to the holdings of three trusts; a lot of 300 shares was sold by another. The only selling on balance appeared in National Steel where four funds liquidated 12,100 shares. However, partially offset-ting this were two new acqusitions of 3,000 shares.

#### Kennecott Bought

As in the preceding quarterly period Kennecott Copper was added to a greater number of portfolios than any other issue among the nonferrous metals. Eight managements purchased 9,500 shares. Offsetting purchases were sales of the same number of shares by five trusts. International Nickel was second in favor, seven new commitments totaling 34,600 shares. But in this issue, also, there was liquidation in five portfolios. In the preceding quarter Nickel had been sold on balance. Six managements added 5,000 shares of Aluminum Co. of America which had been a top favorite in the second quarterly period. Four trusts lightened holdings. Pittsburgh Consolidation Coal, a company in this group not too frequently appearing in portfolios, was initially purchased by four funds; investment was made in 29,600 shares. Four funds also bought 5,050 shares of American melting and refining. of this stock added up to 2,200 shares. St. Joseph Lead was liked by three managements. Although two funds added small lots of Anaconda, opinion was almost divided on Phelps Dodge. Two trusts made new commitments in Mining Corporation of Canada. On the other hand, Consolidated Mining and Smelting, another Canadian company, was lightened in one portfolio and eliminated from another. In no other issue of this group were sellers predominant.

Kimberly Clark was the popular equity in the paper category Five investment companies made initial purchases and two others added to holdings. In all. 22,800 shares were bought against a single sale of 210 shares. The marked increase in the number of shares held of International Paper was largely due to a 25% stock dividend, although three funds also made new commitments and four

on Great Northern. Liquidation others added to those shares issued by the corporation. These additions were offset in large part by eight sales totaling 31,000 shares. Rayonier was well liked, four trusts increasing holdings by 7,600 shares; there was no liquidation. Three managements purchased 8,800 shares of Union Bag and Paper. Abitibi Power and Paper, Crown Zellerbach and Great Northern Paper were each bought by two companies. Dixie Cup was the only issue in which funds disposing of 2,000 shares.

Among agricultural equipments named issue, Caterpillar Tractor, J. I. Case was one of the best- is sometimes classified. In this liked stocks, four trusts purchasing a total of 18,200 shares; one of Allis Chalmers with no offsetlot of 100 shares was sold. Four funds also bought International Harvester, two making new commitments but 17,500 shares was eliminated from two portfolios. Top favorite in this group, however was Deere, in which four managements made new purchases and three others added to their portfolio holdings. Acquisitions totaled 12.800 shares. Sales were made from the lists of four companies. Three trusts also added 4,700 shares of Caterpillar Tractor.

#### Machinery and Equipments Favored

Buying also favored the general sellers had the upper hand, three machinery and industrial equipments, among which the last two portfolios.

group, there were six purchases ting sales. 8,500 shares of National Acme were bought by four managements, one of which made a new commitment; there was no liquidation. Also liked by three funds which made initial purchases was the stock of National Supply. 3,000 shares were completely eliminated from the portfolio of another company. Bullard Company and Dresser Industries were each acquired by two investment managements. Profit taking appeared in Halliburton Oil Well Cementing which had been well bought for some time. However sold. the sale of 2,300 shares by four

#### Drugs and Distillers

In the drug category, total purchases were light, although they were double that of the sales. Favored issue was Parke Davis, 5,800 shares of which were purchased by six funds; two of these were new commitments. Four trusts added 11,000 shares of Merck to their holdings. Offsetting were two sales totaling 2,500 shares. Charles Pfizer and E. R. Squibb were each acquired by three managements. There were no sales in either of these issues. Buying was light also in the distilling issues. Four managements added Schenley and three bought Hiram Walker; neither issue was

Buyers ruled in the textiles but trusts was offset in volume by purchasing was not heavy. Three the addition of 10,600 shares to managements acquired a total of 22,400 shares of Burlington Mills,

## Changes in Common Stock Holdings of 44 Investment Management Groups

(June 30-September 29, 1950)

Transactions in which buyers exceed sellers-or sellers exceed buyers-by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

	-	1.6	* *************************************		old.	Por	ght		Sol	d
3		ight—		No. of	No. of	—Bou No. of	No. of		No. of	No. of
-		No. of		Shares	Trusts	Trusts			Shares	Trusts
5		Shares	E	Marcs	2.400			inking and Insurance		
			Equipment:	400				inking and Insurance:	None	None
£	4(1)	18,200	J. I. Case	100	1	2(1)	40,334	Bank of America	None None	None
5	3	4,700	Caterpillar Tractor	None	None	2(1)	1,000	Commercial Nat'l Bank & Trust C.I.T. Financial Corp.	62,200	11(4)
-	7(4)	12,800	Deere and Co	9,800	4	4(1)	6,000	C.I.T. Financial Corp.	20,800	6(2)
1	4(2)	4,800	International Harvester	17,500	2(2)	1(1)	1,000	Commercial Credit	1,900	3(3)
5	Aut	a and An	to Parts:		1	1	1,000	Guaranty Trust of N. Y	1,500	0(0)
,		4,200	Electric Auto-Lite	2,000	1	Food	Produc	ts:		
7	$\frac{3(1)}{2(2)}$	2,500	Thompson Products	None	None	2(1)	900	Beatrice Foods	None	None
	3(2)	3,200		10,800	6(3)	None	None	Borden's	700	2(1)
	$\frac{3(1)}{3(2)}$	1,700	Borg Warner	35,500	10(5)	None	None	General Foods	23,000	5(3)
9	3(2)	5,600	General Motors	33,900	13(5)	1	1.700	National Dairy Products	11,500	4(2)
f	1	5,600	Libbey-Owens-Ford Glass	12,300	5(4)	-	-,			
	None	None	A. O. Smith Corp.	1,500	2(1)	Mac	hinery a	nd Industrial Equipment:		
-			11. O. Billin Co. Pilling	-,	-1-/	6(2)	11,100	Allis-Chalmers	None	None
3	Avia	ation:			1	2(1)	700	Bullard Co	None	None
0	5(2)	23,200	American Airlines	100	1	2(1)	2,000	Dresser Industries	None	None
-	6	3,700	Bendix Aviation	1,500	3(1)	4(1)	8,500	National Acme	None	None
-	2	1,500	Lockheed Aircraft	None	None	3(3)	4,500	National Supply	3,000	1(1)
	None	None	Grumman Aircraft	2,500	2	2	10,600	Halliburton Oil Well Cementing	2,300	4(2)
	1	500	Sperry Corp	1,900	4(3)	1	7,500	Worthington Pump & Machinery	2,500	3
	**									
y		erages:					als and M		40.00	
S	3(1)	13,100	Hiram Walker, Gooderham &	2.5		6(1)	5,000	Aluminum Co. of America	12,600	4
f			Worts	None	None	4(1)	5,050	American Smelting & Refining	2,200	2
e	4	2,650	Schenley Industries 1	None	None	2(1)	700	Ananconda Copper		None
	D:	lding Co	notwestian and Equipment.			7(7)	34,600	International Nickel	22,000	5
d			nstruction and Equipment:	**	27	8(1)	9,500	Kennecott Copper	9,500	5(2)
S	2	200	Crane Co.	None	None	2(2)	3,000	Mining Corp. of Canada, Ltd		None
1	5(1)	8,300	General Portland Cement	3,500	2(1)	4(4)	29,600	Pittsburgh Consolidation Coal	None	None
-	$\frac{2}{9}(1)$	2,000	Paraffine Companies	None	None	2(2)	900	Pittston Company	None	None
,	2	2,300	United States Pipe & Foundry	None	None	3(1)	10,800	St. Joseph Lead	1,500	1
g	3(2)	6,700	United States Plywood	None	None	None	None	Consolidated Mining & Smelting	1,200	2(1)
ė	None	3,000	American Radiator	21,800	4(1)	Nati	iral Gas			
_	None	None	Bucyrus-Erie		2(2)				1,100	3(1)
_	2	$_{6,400}^{None}$	Certain-teed Products		$\frac{3(1)}{4(4)}$	15(1)	32,910	American Natural Gas		3(2)
d	None	None	Flintkote		4(4)	6	72,700	Columbia Gas System		None
of	2(2)	6,000	Hussman Refrigerator Johns-Manville	2,300 10,900	$\frac{2(1)}{7(2)}$	2(1)	2,500	Hugoton Production Co Lone Star Gas		None
p	1(1)	1,000	Masonite	11,400	7(2)	2(1)	2,100	Republic Natural Gas		None
y	None	None	Minneapolis-Honeywell		3(2)	2(1)	1,500	Southern Production Co		None
d	None	None	Mueller Brass			2(1)	12,000	El Paso Natural Gas		2
n	1	100	Otis Elevator		4(1)	None 1	None 550	Mississippi River Fuel Corp		4(1)
ot	1	200	Pittsburgh Plate Glass	28,500	$\frac{3(3)}{3(1)}$	1	330	Mississippi River Fuel Corp	10,200	1(1)
t-	1	100	Sherwin-Williams	7,950	4(2)	Offi	ce Equip	oment:		
У	3(1)	2,200	United States Gypsum	10,500	5(1)	None	None	Burroughs Adding Machine	12,300	2(1)
le	0(1)	2,200	Ontica States agpsam	10,500	3(1)	1 wone	Tronc	Darroughts Material International	,	-1-2
60	Che	emicals:				Pap	er and	Printing:		
n	7	95,250	Allied Chemical & Dye 2	11,200	2(1)	2(1)	2,500	Abitibi Power & Paper	None	None
es	2(1)	5,210	Atlas Powder		None	2(2)	3,500	Crown Zellerbach		None
00	2(1)	54,000	Heyden Chemical		None	2(1)	1,900	Great Northern Paper		None
d	7(1)	81,700	Mathieson Chemical 3		None	23(3)	177,300	International Paper 4		8(3)
h	2	564	Rohm and Haas	None	None	7(5)	22,800	Kimberly Clark	210.7	1
1-	3(1)	11.000	American Cyanamid	3.900	4	2	3,000	Lily-Tulip Cup 5	None	None
1-	None	None	DuPont	29,900	13(6)	4	7,600	Rayonier, Inc.	None	None
ts	1	300	Hercules Powder	4,200	4(2)	3(1)	8,800	Union Bag and Paper	None	None
1-	1	100	Texas Gulf Sulphur		3(1)	None	None	Dixie Cup Co		3(1)
m	3(2)	3,010	Union Carbide		5(2)			•		
1-	0-	ntain		,		1	roleum:			
a-			and Glass:			2(1)	6,000	American Republics Corp		None
ın m	3(1)	1,400	Continental Can	9,200	5(3)	2	11,500	Chicago Corp.	None	None
m	None	None	Crown Cork and Seal	600	2	3(1)	8,200	Cities Service		1
	D.	ug Produ	icts.			2	8,400	Delhi Oil Corp.		None
n	-				_	5(1)	4,600	Gulf Oil		3(1)
p-	6(2)	11,000	Merck and Co.		2	3(1)	8,000	Houston Oil Co. of Texas		1
y.	6(2)	5,800	Parke Davis and Co	None	None	6(2)	13,000	Ohio Oil		2
de	3	2,700	Chas. Pfizer and Co.		None	8(5)	66,900	Pure Oil		1(1)
rs	3(2)	7,200	E. R. Squibb and Sons		None	2(1)	2,500	Richfield Oil		None
00	None	None	Abbott Laboratories	1,000	2	3(2)	3,600	Seaboard Oil (Del.)		None
n-	Ele	ectrical E	Equipment:			10(6)	31,900	Shell Oil		4(2)
ed	3(2)			A*	37	3(2)	1,900			None
es	None	5,700	Radio Corp. of America		None	6(5)	144,500			2(1)
i-	1	None 18,800	Bendix Home Appliances		2(2)	5(1)	13,500			2(1) None
SO	5(1)	9,200	General Electric		11(3)	3(2)	2,800			None
ur	None		Westinghouse Electric Zenith Radio		7(4)	None				4(3)
	None	None	Zenith Radio	2,850	3	1(1)	1,000	Standard Oil of Ohio	6,500	3(1)

Manufacturers were also each divided on Montgomery Ward, but was offset in volume by one pursales amounting to 17,100 shares. four portfolios and entirely elimbought by three trusts with no 25,200 shares of Sears Roebuck chase of 43,100. Four managements Almost 8,000 shares of Sherwin inated from two others. Disposioffsetting sales. Two new pur- were sold by five companies with also sold Montana Power, two Williams were likewise liquidated tion of 20,800 shares contrasted chases were made in Pacific Mills. one offsetting purchase of 800 completely disposing of this issue. by three companies but only half with one sole purchase of a lot of one particular textile issue.

light volume with Goodyear the shares of Grand Union. favorite. Five managements made new commitments and three others added to holdings. Purchases totaled 15.100 shares and were offset by two sales of 2,600 shares. Firestone was also thought well of by four companies, but two others eliminated it from their portfolios. Holdings of Goodrich in five portfolios were lightened but there were three purchases, although in much smaller volume.

two making initial commitments. Interstate Department Stores were Colorado was lightened in three 500 shares, while three funds add- 6,000 shares, one of which repre- A lot of 500 shares was sold. J. P. each bought for the first time by portfolios and eliminated from a ed 2,200. Flintkote was entirely sented a new commitment. Com- Stevens and United Merchants and two managements. Opinion was fourth; total sales of 35,100 shares cleaned out of four portfolios, mercial Credit was lightened in There was also some concentrated Rubbers were also bought in liquidation in the sale of 6,400

#### Utilities Liquidated

Selling was fairly well distributed among the public utility is-Southern Company, howsues. ever, was sold by the largest number of trusts, seven disposing of 115,550 shares; there were three purchases totalling 20,100 shares. North American was sold by six funds to a total of 149,200 shares. One new commitment was made Buyers had the edge in the re- in this issue of a bloc of 12,000. tail stocks, purchasing transactions Three funds lightened holdings paralleling those of the previous and three others completely elimquarter, while total selling de- inated the stock of Wisconsin creased. Allied Stores was the Electric Power, 60,000 shares befavorite issue, superseding Feder- ing liquidated. Two comparatively ated Department Stores which small purchases were made had been top favorite for several through the exercise of rights. quarters. Eleven managements Likewise six managements sold made purchases of 42,600 shares, almost 22,000 shares of Consumers five of which represented initial Power; a bloc of 500 was added commitments; two sales totaled to another portfolio 41,800 shares ing construction and equipment Plywood; there were no sales. 7,000 shares. Marshall Field was of Ohio Edison were disposed of issues was Johns-Manville, seven The two major finance consecond ranking issue in popular- by five companies and the same managements disposing of 10,900 cerns were rather heavily sold. ity, five trusts acquiring 21,000 number of funds lightened hold- shares, two of which represented Eleven managements decreased shares. One lot of 5,500 shares ings of American Gas and Electric. complete portfolio eliminations, holdings of C. I. T. Financial Corwas sold. Safeway was also add- However, there were at the same Two new commitments in this is- poration, four making complete ed by five funds, but part of this time three purchases of the latter sue totaled 6,000 shares. United portfolio eliminations. Sales tonew stock was purchased through issue, two of which were new States Gypsum also was not too taled 62,200 shares. Partially offthe stimulus of rights. Grant and commitments. Public Service of well liked. Five trusts sold 10,- setting were four acquisitions of

and Toledo Edison were each sold quisition was made of a bloc of managements. by three trusts. Complete dissolu- 3,000 shares. Similarly, Mueller Profit-takin tion of United Light and Railways Brass was lightened in three port- ing motor companies. was finally effected and seven folios and eliminated from a funds sold 33,900 shares of Gen-funds received stock of Iowa Illi-nois Gas and Electric as a last dis-Masonite Corporation, Otis Eleva-35,500 shares of Chrysler. Two initribution of a subsidiary corpora- tor and Pittsburgh Plate Glass tial acquisitions and one addition purchased 51,300 shares of Middle ments. Buying was predominate in each of these issues. Four comcommitments. eral Telephone, although another and another elimination of Penn- each issue. completely eliminated a block of sylvania Dixie Cement. Two ini-20,000 shares from its portfolio.

Least popular among the build-

tial purchases and a portfolio addition were made in United States

The two major finance con-

-Sold-

No. of

Trusts

No. of

Shares

Opinion was divided on Celanese shares. In the previous quarter, American Power and Light, of these represented complete 1,000. Also eliminated from three Corporation but no predominate positions were reversed with American Telephone and Tele-eliminations. The same number of portfolios were 1,900 shares of selling was concentrated in any Ward sold and a division on Sears. graph, Central Illinois Public funds sold 21,800 shares of Amer-Guaranty Trust. However, Bank Service, Kentucky Utilities, Min- ican Radiator. However, three of America and the Commercial nesota Power and Light, Pacific trusts still retained some of their National Bank and Trust of New Gas and Electric, Texas Utilities holdings in this stock, and an ac- York were each acquired by two

> Profit-taking ruled in the leadtion. Seven managements also were each sold by three manage- to portfolio holdings were made South Utilities, two making new in General Portland Cement, five plete portfolio eliminations were Offsetting were funds purchasing 8,300 shares made in Libbey - Owens - Ford four sales totaling 22,000 shares. Offsetting were two sales totaling Glass and one decrease in hold-General Public Utilities was liked 3,500 shares. Contrasted with ings. Six trusts sold 10,800 shares by four funds, one of which ac- transactions in this cement issue of Borg Warner, but three more quired an initial holding; a lot of were the divided opinions of two made purchases of 3,200 shares. 500 shares was sold. Three trusts trusts on each side of the market Electric Auto-Lite and Thompson acquired 21,900 shares of Electric in Lehigh Portland Cement, one Products were the only equip-Bond and Share and a like num- new commitment and two com- ments favored by buyers, three ber of companies purchased Gen- plete eliminations of Lone Star, companies making acquisitions of

#### The Air Lines and Aircraft Manufacturers

American Air Lines appeared to be the sole air transport well liked as three new commitments and two portfolio additions were made totaling 23,200 shares. Six managements bought Bendix Aviation and two purchased Lockheed. Sperry Corporation was eliminated from three portfolios and lightened in another while Grumman was disposed of by two funds. Opinion was divided on other manufacturing and transport

General Electric was decreased in eight portfolios and eliminated from three others. Total sales volume of 23,200 shares contrasted with a single portfolio increase of 18,000 shares. Seven funds sold 33,-600 shares of Westinghouse, four of which entirely cleaned out the issue from their portfolios. However, five other trusts made purchases of 9,200 shares. Also sold in this group were Zenith and Bendix Home Appliances. Sole buying preference was given to Radio Corporation of America, two companies making new commitments and a third adding to portfolio holdings

#### Chemicals Lose Favor

Sellers held the balance in the chemical group. DuPont was lightened in seven portfolios and eliminated from six others. Sales totaled 29,900 shares and there were no purchases. Union Carbide was next heaviest sold, five managements disposing of 38,000 shares. Acquisition of 3,000 shares was made by two trusts. Four managements sold 4,200 shares of Hercules Powder, half of which made complete portfolio eliminations. Sellers also had the better of it by a slim margin in American Cyanamid, although sales volume of 3,900 shares contrasted with total purchases of 11,000. Texas Gulf Sulphur was also sold by three funds. Increase in number of shares of Allied Chemical resulted from the four for one stock split-up, but Heyden Chemical was actually well bought by two managements. Atlas Powder and Rohm and Haas were also each purchased by two funds.

#### With Security Associates

(Special to THE FINANCIAL CHRONICLE) WINTER PARK, Fla.-Philip B. Stovin is with Security Associates, 114E South Park Avenue.

#### Investment Research Adds

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass Henry R. Salaun has been added to the staff of Investment Research Corp., 53 State Street.

#### Changes in Common Stock Holdings of 44 Investment Management Groups (Continued)

-Bought-

No. of No. of

Trusts Shares

-Bou	ight—		Sol	ld
No. of	No. of		No. of	No. of
Trusts	Shares		Shares	Trusts
Pub	lic Utiliti	es:		
2(1)	3,500	Brooklyn Union Gas	None	None
2	5,000	Delaware Power and Light	None	None
3(1)	21,900	Electric Bond and Share	None	None
4(1)	20,400	General Public Utilities	500	1
3(2)	8,300	General Telephone Corp.	20,000	1(1)
8(7)	140,680	Iowa Illinois Gas & Electric 7 Middle South Utilities	$3,000 \\ 22,000$	$\frac{2(1)}{4}$
7(2) 2	51,300 $8,000$	New England Electric System	None	None
2(1)		Utah Power and Light	None	None
3(2)	3,500	American Gas & Electric	14.800	5
None.		American Power and Light	1,694	3
1(1)	50	American Tel. & Tel	6,700	3(2)
None	None	Central Illinois Public Service	9,100	3
1	500	Consumers Power	21,880	6(1)
None	None	Detroit Edison	30,600	2(1)
None	None	Houston Lighting & Power	1,250 1,200	2
None	None	Iowa Public Service Kentucky Utilities	55,400	$\frac{2(2)}{3(1)}$
None None	None None	Louisville Gas & Electric	3.500	2(1)
1(1)	1.000	Minnesota Power & Light	852	3(2)
2(1)	9,500	Montana Power Co	8,227	4(2)
3(1)	12,100		149,200	6(2)
2	1,500	Ohio Edison	41,800	5(1)
None	None	Pacific Gas & Electric	30,800	3(1)
None	None	Potomac Electric Power	32,600	2
1	43,100	Public Service Co. of Colorado	35,100	4(1)
3	20,100	Southern Company	115,550 $14,600$	$\frac{7(2)}{3(1)}$
1 None	55,600 None	Texas Utilities Toledo Edison	25,700	3(3)
None	None	United Light and Railways 8		8(8)
2	2.800	Wisconsin Electric Power 9	56,938	6(3)
Rac	lio and A	musement:		
		Columbia Broadcasting "A"	3.800	3(2)
5(2) 4(1)	6,600	Columbia Broadcasting "B"	1,600	2(1)
2(2)	35,200	Twentieth Century-Fox Film.	None	None
5(3)	28,900	United Paramount Theatres	2,000	1(1)
Rai	lroads:			
	13,200	Atchison, Topeka & Santa Fe	550	2(2)
8(3)		Baltimore and Ohio	None	None
2(2)	7,000		13,700	
5(3)		Canadian Pacific		2(2)
3(1)	3,500	Chesapeake and Ohio	5,000	1(1)
8(6)	15,900	Chicago, Rock Island & Pacific	6,000	3(1)
7(4)	31,500	Illinois Central	None	None
2(1)	4,100	New York, Chicago & St. Louis	None	None
5(3)	14,900	Pennsylvania	None	None
3(1)	15,200	Seaboard Air Line	11,500	1
14(6)	40,200	Southern Pacific	400	1
3(1)		Southern	3.200	1
7(4)	12,300	Union Pacific - munus V znosos	400	1
31101		standard Oil of Fexas Pacific Constanting		
1,12,14		American Brake Shoe		27
3(1)	800	American Brake Shoe	None	None

American Locomotive ----- None

Trusts	Shares		Direct	a r ubio
Ret	ail Trade	•		
11(5)	42,500	Allied Stores	7,000	2(1)
2(2)	3.000	W. T. Grant	None	None
2(2)	3,000	Interstate Dept. Stores	None	None
5(1)	21,000	Marshall Field	5,500	1
2(1)	800	Melville Shoe Corp	None	None
5	28,900	Safeway Stores 10	15,600	2(1)
1	1,000	Grand Union	6,400	3(1)
1	800	Sears Roebuck	25,200	5(2)
Rul	ber and	Tires:		
4(3)	3.800	Firestone	5,200	2(2)
8(5)	15,100	Goodyear	2,600	2(1)
3(2)	1,700	Goodrich	8,950	5
Ste	els:			
3(1)	3.100	Allegheny Ludlum Steel	300	1
5(4)	12,500	Armco Steel	2,100	2(2)
12(6)	72,700	Bethlehem Steel	900	2
6(4)	6,400	Republic Steel	None	None
8(4)	103,100	United States Steel	3,700	4(2)
7(2)	8,000	Youngstown Sheet & Tube	1,850	2
2(2)	3,000	National Steel	12,100	4(1)
Te	ctiles:			
3(2)	22,400	Burlington Mills	500	1
2(2)	8,300	Pacific Mills	None	None
3(1)	6,600	J. P. Stevens Co.	None	None
3(1)	24,500	United Merchants & Mfrs	None	None
Tol	oaccos:			
1	400	Liggett and Myers	5,200	3(3)
3(1)	6,500	Philip Morris & Co	22,476	6(3)
Mis	scellaneou	is:		
None	None	Southeastern Greyhound	1,900	2(2)
		S U M M A R Y		
Balar	ice Purch	S U M M A R Y	s 63 Inve	estr

#### Balance Purchases and Sales Portfolio Securities 63 Investment Companies Bought Totals Sold Matched **Open-End Companies:** 6 6 Balanced Funds -----8 29 Stock Funds ---8 14 14 Closed-End Companies 2 5 25 63 20 Totals—All Companies\_\_

#### FOOTNOTES

- 1 1650 shares received as 25% stock dividend.
  2 Received in 4 for 1 stock split.
  3 79,400 shares represent 100% stock dividend.
  4 141,550 shares received as 25% stock dividend.
  5 Acquired as stock dividend of 75%.
  6 28,735 shares purchased through rights. Basis: 1 share for 10 shares held.
  7 112,180 shares received as final distribution on United Light and Railways.
  Basis: 6 for 10.
  8 29,000 shares sold; remainder liquidated.
  9 Purchased through rights.
  10 Purchased in part through rights.
  NOTE—This survey covers 63 investment companies, but purchases or sales

None

NOTE—This survey covers 63 investment companies, but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by Calvin Bullock are considered as having the weight of one manager. Overseas Securities is included in addition to the companies listed in the companion table.

## The Business Outlook

bonds, and a sharp increase in consumer instalment loans.

advances. Prices of basic comsince March and one-fourth since age wholesale prices rose 11%, and consumer prices, which typically lag, advanced about 4% since March. products and foods did not rise to their earlier postwar peaks and recently have shown some decline, reflecting principally seasonal decline in hogs. Wholesale prices of other commodities, which have increased over 8% since June, are above their earlier The existing volume of deposits inflationary spiral. peaks and have continued to rise. Consumer prices have risen to able further increase in spending approximately their earlier postwar peak.

#### Credit and Monetary Developments

Expansion in credit by banks and other lenders, which had been going on for some months, accelerated after the outbreak of hostilities and helped to finance the growth in business and personal expenditures for various

Commercial banks increased their total loans by an estimated \$4 billion in the third quarter and their holdings of State and local government and corporate securities by about \$800 million. The expansion since June in credit to private borrowers and to State and local governments, which has been in part seasonal, has exceeded that in any peacetime period of similar length. Much of the recent sharp expansion in loans reflects commitments made before restrictive credit policies began to be imposed. Some of the expansion may have reflected anticipation of future In October, there seems to have been some slackening in the rate of expansion.

Businesses have been especially heavy borrowers in recent months as they anticipated shortages of materials and increases in prices and, in addition, provided for seasonal needs. Bank loans to business have increased by more than \$2.5 billion since June.

Credit extended by banks and other lenders to purchasers of houses has been a large factor in the recent expansion of private tended to stiffen during most of credit. New loans on small residential properties during the first nine months of 1950 are estimated at slightly less than \$11 billion, or an annual rate of almost \$14.5 billion compared with roughly repayments, total mortgage debt outstanding on 1-4-family houses increased \$2 billion in the third quarter and by \$6 or \$7 billion in the past 12 months, compared with an increase of less than \$4 billion during calendar year 1949.

Even before the Korean crisis banks and other lenders were financing a marked expansion in consumer buying, especially of tension of instalment credit. After June, consumer instalment credit increased more sharply, has been due entirely to an ina billion dollars in the third quarter.

increased incomes. It reflected rency and bank deposits held by also an increased rate of buying individuals and businesses inout of current income, some creased more than \$2 billion to drawing down of liquid assets, a new peak level of about \$172 including holdings of series E billion. This rapid rate of increase almost equaled that of the third quarter of 1947—a period With production close to capac- of substantial inflation. The inity in key industries, the sharp crease would have been much further expansion of buying on more rapid had not nonbank inthe part of consumers and busi- vestors, particularly business cornesses led to widespread price porations, drawn upon growing cash balances to purchase a large modities rose more than one-third volume of government securities from the banking system during the outbreak of hostilities. Aver- this period. These holdings are similar to cash.

Increased spending in the economy since midyear has been fi-Prices of farm nanced not only through new borrowing and an expanded supply of money, but also in part by more active use or turnover of money. The rate of use of deposits is now higher than at any is still low relative to the 1920s. could be the basis for a considerwithout the creation of additional

> Another factor in the recent increase in spending has been the reduction in certain types of liquid asset holdings by individ-During the third quarter uals. time deposits at commercial and mutual savings banks declined by approximately one-half billion dollars, redemptions of savings bonds exceeded purchases by about one-third billion and shareholdings at savings and loan associations were also drawn

> Additional bank reserves to provide the basis for growth in deposits and the volume of money resulting from the credit expanreserves and Federal Reserve holdings of securities have in-The Federal Reserve creased. has generally purchased securities approaching redemption, in order to assure the success of Treasury refunding. At the same time, the System has sold substantial amounts of long-term bonds to supply investment demands and has also sold some shorter-term issues for which there were market demands. Net purchases of \$700 million in the second quarter and of \$1,200 million in the third of additional reserves to banks. after meeting an outflow of gold of three-quarters of a billion.

but some rise credit expansion.

#### Prospects

past three or four months that new and prospective demands, together with underlying forces, should be noted, has not been the investment. durable goods through the ex- result of a current government governmental expenditures. It Recent growth in bank credit break and some in anticipation of has added considerably to the possible shortages and probable

lated liquid assets, and new borrowing. They in turn have helped to increase further business and personal incomes and have provided the means for more spend-

As defense production gets unexpanded further while simultaneously supplies of goods and services available in civilian markets will not be increased. In many key industries output already is at or close to capacity and output for civilian use will need to be curtailed, possibly sharply in some cases, to provide materials and manpower for war production. Under these circumstances, inflationary pressures will continue to dominate economic developments. Even though on occasion there may be some abatement of upward pressures, the underlying trend is inflationary, and unless vigorously restrained will lead to further substantial advances in prices and wages, which are the results of inflation rather than the primary time in more than a decade, but causes. They do, however, contribute to the development of the

The magnitude of the prospective inflationary potential may be illustrated by a few figures. Con- 1 million, some reduction would

growing incomes, use of accumu- foreign military aid, and stock- future supplies and as to the level piling, and it is possible that additional appropriations will be requested late this year or early next year. In addition, the President recently stated that defense expenditures may double between mid-1950 and mid-1951. All in der way, private incomes will be all, it appears that an increase of about \$20 billion on an annual basis may reasonably be expected in this period.

The President also indicated that the armed forces will increase their strength from 11/2 million in the second quarter of 1950 to about 3 million persons. In addition to this drain of 1.5 million people on the labor force, the industries and other activities supplying defense needs will require an additional 3 million workers-making a total of 4.5 million. The labor force might be expanded by 1.7 million in the next year and unemploymentwhich was 3.3 million before Korea-may be reduced to million, supplying another million workers—a total of 3.5 million to meet needs of 4.5 million. Thus the number of workers employed in civilian activities might have to be reduced by about 1 million. Even if the armed forces should increase by only gress recently appropriated an still be implied for the number additional \$17 billion for defense, of workers in civilian activities.

of future prices, there is greater inducement for the spending of liquid savings and resort to borrowing. As a result, prices may rise further and incomes be again increased.

With high employment and tightening pressures upon man-power supplies, rising living costs, and expanding profits, workers are in a position to ask for higher wages. At the same time, employers are in the position of having to bid actively for labor by offering extra inducements to workers and with demand strong, business is able to raise selling prices to cover any additional expenses. Thus, higher prices lead to higher wages and costs and to higher prices again.

The general psychology of businesses and individuals with respect to future prices and availabilities of products is necessarily a highly critical factor in shaping inflationary forces. During the period of growing defense and war expenditures in the early 1940s, the background was one of slack and depression with low incomes and depleted savings.

The financial background of the present economic situation, in contrast, is a decade of inflationary economic expansion, accentuated by war necessities and postwar readjustment. Businesses and individuals are aware of the processes and consequences of inflation and are familiar with the hazards of wartime shortages. With depression unlikely and continued large government spending probable, there will be less reluctance to spend and borrow and less desire to save than was formerly the case.

#### Manpower Projected (Millions of persons)

Labor Force	1950 2nd Quarter 64.8	1951 2nd Quarter 66.5	Change +1.7
Unemployed	3.3	1.5	-1.8
Employed—Armed Force		3.0	+1.5
Defense	1.7	4.7	+3.0
Civilian	58.3	57.3	1.0

pective picture in terms of the changed prices could expand furtion of goods and services, reck- year by about 6% or \$17 billion, oned on an annual basis and in at present prices. However, interms of third quarter 1950 prices. creased military sion during the postwar period longer hours of work, additions billion, or more than the potential generally have been readily ob- to plant and equipment, operation increase in the annual rate of tainable by selling government of stand-by facilities, and in-total output, thus necessitating a securities to the Federal Reserve. creased productivity, it is not in- small reduction in output left for Since March of this year, both conceivable that the annual rate all civilian purposes.

Let us next look at the pros- of total output valued at undollar value of our total product ther from the third quarter of this With increased total employment, may require an additional \$18

#### Expansion in Output-Projected

(Annual rates in billions of dollars at 3rd quarter 1950 prices)

Gross National Product	1950 3rd Quarter \$284.0	1951 2nd Quarter \$301	Change + 17
Defense	14	32	+18
Civilian— Regular Government	29	29	
Private	241	240	- 1

dication of the overall physical in the third quarter of this year, problem of meeting the planned expansion in the armed forces and in satisfying military stockpiling. quarter supplied over \$1 billion and foreign assistance require- creased sharply and total output ments for munitions and other and prices rose. The expansion supplies. This aspect of the prob- has lem appears manageable, although use. Thus, from now on, as de-Short-term money rates have for some strategic materials, such as steel and copper, substantial this year, reflecting growing difficulties may be encountered. credit demands. This trend was The general inflationary problem. While some investment expen-moderated by Federal Reserve however, is much more difficult. ditures might be postponed under purchases of short-term securi- The essence of that problem lies these circumstances, the need for in the fact expenrates on bills and certificates as ditures (at unchanged prices) of expansion of capacity will have \$11 billion in each of the past the Federal Reserve adopted more \$17 billion will result in \$17 bil- a high priority. Outlays for these vigorous measures for restricting lion of additional income, before purposes may be made in part at It is evident from events of the for the recent sharp increases in for civilian use will be reduced personal and corporate tax rates. and it is essential that demands There will be no additional civil- for them decrease correspondian goods and services available ingly. have brought on a highly infla- in the market to be absorbed by tionary situation. The upsurge this much larger amount of added tive incomes and civilian supplies that has occurred to date, it income available for spending or at current prices does not indi-

deficit or even of an increase in this situation is thus very great, ited only to currently distributed quarter of 1950 the total of cur- tures have been financed from would mean even larger incomes certainty as to the availability of the Treasury may not need to re-

This, in a rough way, is an in- and increased demands. Already although actual defense outlays increased only moderately, business and consumer spending inbeen primarily for civilian fense production expands, the amounts available for civilian use may need to contract.

modernization of equipment and taxes, and some \$11 billion after the further expense of consumer taxes in the hands of consumers durable goods and housing. The and business, even after allowing supplies of these goods available

The spread between prospec-

#### **Projections**

Possible developments over the next year are illustrated by the the accompanying tables. are not forecasts but broad approximations of the course of the indicated possible aggregates under specific assumptions. Defense expenditures are assumed to increase by an annual rate of about \$20 billion by the second quarter of 1951 and to rise further there-Aggregate output, independently of price changes, is assumed to increase by 8 to 10% from the second quarter of 1950 to the second quarter of 1951, with industrial production rising by about one-sixth in this period.

Model A assumes that direct controls will be limited and that most anti-inflationary measures will be applied in a moderate manner. No further tax increases in addition to those recently enacted are assumed. Model B differs from Model A by assuming progressively more rigorous credit and fiscal controls and more extensive direct controls to channel materials into war production, but does not assume general price and wage ceilings or consumer rationing. It assumes that another tax program yielding \$9 or \$10 billion of additional revenue, when fully effective, will be enacted early in

By the end of the first quarter of 1951, more rigorous controls in Model B should exert a progressive restraining influence · on prices, incomes, and expenditures. Consumer prices are estimated to rise by 8 to 10% in Model A and by 5 to 6% in Model B from the second quarter of 1950 to the second quarter of 1951.

The prospect is that Federal cate the full inflationary poten- cash receipts will approximately The inflationary potential in tial. Current demand is not lim- equal cash disbursements during fiscal 1951 under Model A but that calendar year 1951 will show and unless restrained by steril- income, but may be augmented a cash deficit of over \$5 billion. showing an expansion of about crease in private expenditures— izing the excess income through by drawings on accumulated In Model B, a cash surplus of over some that would have occurred higher taxes, greater liquid sav- liquid savings by those disposed \$1 billion would be likely for fiseven without the Korean out- ings, and reductions in credit be- to spend them and also by bor- cal year 1951 and a deficit of ing utilized, the only possible re- rowings that add to bank credit about \$2 billion would be likely money supply. During the third price advances. These expendi- sult would be higher prices. That and the money supply. With un- for calendar 1951. In either case, sort to borrowing in the market to borrow substantial amounts in Continued from page 17 before next summer, but will have the last half of 1951.

	Estimated		jected irter 1951
	3rd Quarter 1950	*Model A	Model B
Gross National Product	\$284.0	\$333.1	\$318.7
Government purchases of goods			
and services—total	42.5	67.9	65.8
Federal	23.5	47.7	46.0
State and Local	19.0	20.2	19.8
Gross Private Domestic			
Investment	49.0	55.7	51.1
Net Foreign Investment	-3.0	-1.5	-2.0
Personal Consumption Expen-			
tures		211.0	204.0
Durable Goods	31.5	26.0	25.0
Nondurable Goods and			
Services	164.0	185.0	179.0
Personal Income	224.0	259.1	250.2
Disposable Income	204.0	232.7	222.2
Personal Savings	8.5	21.7	18.2
*See text for principal assumptions.			

#### Effect of Restrictive Policies

Many of the forces that will deevents during the next year appear reasonably certain. An im- as nearly as possible on a pay-asportant factor, however, will be you-go basis—the most important the course of public psychology, which is always difficult to predict. Should the general public contemplated. become convinced that shortages The

The most important force that ence.

of appropriate policies.

of specific price ceilings, alloca- borrowing. would be like limiting the out- well as general restraints. flow of steam from a boiler while

There has not yet been time to from direct controls that were be- crease in short-term interest rates.

succeeded in freezing themselves reimposition, on a large scale, of from direct controls that were be- crease in short-term interest rates. plosion would be the inevitable measures of credit restraint. The extremely reluctant to resume trusted with the supervision and credit measures. result. Moreover in an economy rapid credit expansion which has likely to look around for anything regulation of private credit instiwith civilian activities close to continued reflects in part seasonal that may enable them to avoid tutions, we have formally ap- our policies in the light of the reprevious maximum levels, the task and other temporary factors and reimposition of controls-for any-pealed to the banks not to expand quirements of our own economic of rationing and allocating output also commitments made before rewhile preventing the price sys- straints were imposed. More re- job! tem from functioning would in- straints may need to be imposed. volve enormous administrative It is important that inflation be tary policy has increased gradu- portant measures under the De- various measures of combating intemporary abandonment of much plish its objectives of building up imposition of reserve requireof our free enterprise system.

be needed and perhaps also ar- ples of free enterprise, and of pre- 20 times above prewar. In Belrangements for stabilizing prices venting a deterioration in the War II and in Germany in 1948 gram of the second World War, policy actions taken and the reaestablished for limited measures cumulated savings. of this sort.

requisite for a long-time defense program of the type apparently

To the extent that the Treasury of desired goods will not develop may incur a deficit—even if only and prices will not rise, or should for temporary periods-it is deccumulations of goods appear sirable that as much borrowing as adequate, there could be a sharp possible be done from savings of hange in the rate of current ex- the public and as little as possible penditures that might check the from the banking system. To the ourse of the inflationary spiral, extent that savings can be tapped It is possible that temporary halts by the government, the supply of reversals will occur, especially funds available for private inif defense buying is slow in accel- vestment of an unessential charprevailing force, acter will be limited. Additional however, assuming the military borrowing from nonbank investrogram indicated, should be a ors and reduction in securities continued pressure of demand on held by banks would exert a desirable anti-inflationary influ-

might direct or change the course Of very great importance are of events is public policy. Infla- measures of restraint in the area tion can be accelerated or retard- of private credit. As has been ed or even prevented by adoption shown, recent inflationary developments have been the result of Because of the limited magni- increased private spending from tude of the presently contemplated existing resources and new bordefense program relative to the rowing. Restraints of this sort are total output of the economy and particularly difficult because of in view of the possibility of its the large supply of liquid assets long continuance, the decision has accumulated by individuals, busigeneral fiscal and monetary meas- institutions. Increased expendiures of restraint rather than to tures can be financed from exist-

tions of materials, and consumer Restraints, therefore, need to be measures are designed to limit in addition liquidation of governbuying power and, therefore, ment securities by holders has to strike at the basic cause of infla- be discouraged. Various measures preventing the effects from ex- have been adopted by the Federal pressing themselves and thus fur- Reserve, including curbs on use of thering an upward spiral. To use credit for purchase of new houses the latter without the former and consumer durable goods, as

In some strategic areas, alloca- ment, of maintaining a strong in

## Money and Credit Today

ties as well as real estate and instalment credit from nonbank sources, also rose substantially. Credit expansion has been greater in this period than in any other peacetime period of the same length. Monetary policy has thus a great opportunity, but an equally great responsibility.

The task of monetary and credit policy is clear: its purpose is to reduce the availability of bank reserves. You know that under our system of fractional reserves, the pose all kinds of controls on their banks can use every dollar kept on deposit with the Federal Retial governmental activities are serve for extending six or seven being reduced. Further tax in-dollars of credits. The difficulties termine the course of economic creases are contemplated in order of that task are very great. Aside to place the Federal Government from the economic limitations upon the various anti-inflationary measures available to use, we certainly cannot ignore psychological factors. In spite of the constant improvement in our statistical techniques, it is very hard to foresee the reactions of thousands of banks, firms, and individuals to money they had until after the changes in interest rates, liquidity, or consumer, real estate, and savings were largely responsible stock exchange credit regulations, Groups that are most directly affected by any of our actions freour measures are overly harsh. Other critics contend that we are not going far enough. We must proceed judiciously and with cautrying to avoid unnecessary hardships; but we must be prepared to amend promptly any regulation if it proves either inadewe are trying to deal.

#### Monetary Policies in Foreign Countries

As I said recently at the University of Florida Business Conference, it is interesting to observe that we are not alone in attempting to cope with our present problems through monetary polibeen made to rely largely upon nesses, banks and other financial cies in preference to direct con-Indeed, in many countries of the Western World the first response to the renewed inflationary attempt the use of a broad system ing cash holdings, from sale of dangers caused by rearmament of detailed controls in the nature government securities, or from and rising world prices has been resort to measures of monetary The significance of this rationing. Fiscal and monetary imposed on extension of credit and fact that monetary policy is now being rehabilitated precisely in and have been given a few new in those countries of Western and Northern Europe which in the tion. The direct controls aim at directed toward these objectives marily on direct controls (of in- market operations designed to re- to move in the future. But it may sumption) to curb inflation.

> countries which have recently these controls. Governments are thing, if it holds promise at least part of the stabilization

Secondly, the prestige of monearresting It is possible to foresee that in restoring incentives. Monetary policy has chalked up significant

of corporate and municipal securi- tary policy was none too impres-

Finally, and possibly more important, the current situation differs in many essential respects from that wnich confronted the Western World during the second World War. At that time it was essential to make a maximum effort in the shortest possible time. The determination of governments not to have their efforts "too little and too late" was almost measured by their willingness to imeconomy. While the danger of inflation was taken seriously, the magnitude of the necessary effort appeared to call for comprehensive direct controls rather than reliance on the fiscal and credit measures. It was thought that incentives to work would suffer if the war was financed entirely by taxation; that people would be more willing to work if taxes were held down somewhat even though they could not spend the extra end of the war. These wartime for our postwar inflation.

between now and then. Today, we suppressed but not removed. are facing an indefinite period of defense during which our noncivilian expenditures are expected national income that they attained have sufficed to break it was during the second World War. Direct controls work best over a short period; they become increasingly inefficient and cause more and more economic distortions as the years go by.

#### Recent Monetary Policy Actions In the United States

The policy of the Federal Reserve in the present emergency has been guided by these princiolder weapons of monetary policy ones. We have raised the discount with our defense program.

postwar inflation up a program of guaranteed loans mon cause. some expenditures for less essen- fective those measures may be. during which the record of mone- sufficiently effective, we have responsibility.

tightened Regulation W by an amendment. We are fully aware of the fact that Regulation W tends to reduce the demand for automobiles and other goods, and that Regulation X tends to reduce the demand for new homes. That is exactly what these regulations should do if they are to accomplish their purpose. Labor and materials which hitherto have gone into automobiles, television sets, and new homes must be released for use by the defense industries. This shift can be accomplished most efficiently if some people are induced to forego the purchase of automobiles, television sets, or homes, by being confronted with less attractive credit terms. If supply were reduced before demand, say by a Government decree forcing producers to cut production, an artificial scarcity would be created. In consequence, prices would rise rapidly and it would be highly profitable for producers to evade the decree. The Government would then be confronted with the difficult task of enforcing the cutback in the fact of strong resistance by both producers and consumers. If demand is reduced, however, producers will curtail output in proportion, and the shift to defense orders can be accomplished without a rise in prices This brief reference to the eco- and, more important, without the nomic problems confronting us need of enforcing direct controls quently try to persuade us that during the last war serves to point which defy the market situation out the considerable differences by an attempt to keep inflation

#### Conclusions

Quite recently some observers to mount gradually, but not to at- have expressed the opinion that tain the very large percentage of the measures taken so far may quate or inappropriate for the during the recent war. In addition, momentum of inflation. Con-economic conditions with which the period during which we shall struction activity has indeed slackhave to carry defense expendi- ened and some prices have detures on a substantial scale is not clined from their summer peaks. one of short emergency, but may I am afraid, however, that such a extend over a long period of view would be overoptimistic, years. The case for direct con- Many prices continue to edge uptrols is thus far weaker today than ward, and in view of the wage increases recently won by labor, further price rises may be ex Profits are soaring, and pected. despite the recent tax increase personal incomes after taxes are generally higher than before the start of the Korean War. Moreover, the defense program is expanding and business is developing more and more ambitious plans for investment. For these reasons I do not believe that the development is heightened by the ples. We have used many of the inflationary threat will subside without continued efforts on the part of the fiscal and monetary authorities.

I cannot discuss here any of the postwar period have relied pri- rate. We have engaged in open directions in which we may wish vestment, of prices, and of con-duce the availability of bank re- perhaps be useful to point out that serves created by the sale of Gov-The reasons for this comeback ernment securities to the Federal tionary dangers would imply nearare evident: In the first place, Reserve, and these operations have ly as great infringement of our succeeded in freezing themselves necessitated a very moderate in- economic freedoms as would the still stoking the furnace—an ex- test the effectiveness of these coming increasingly inefficient are Jointly with other agancies en- alternative to effective fiscal and

credit for purposes inconsistent situation. This time we are fortunate in having the benefit of In addition, we have taken im- extensive experience with the problems and would result in the checked if the nation is to accom- ally over the past few years. In fense Production Act, recently flation which have been tried both France, credit restrictions and the passed by the Congress. We have here and in many of the countries an adequate defense establish- ments played a considerable part promulgated Regulation V, setting that are united with us in a com-

tions and priorities will no doubt economy operating on the princi- which had driven price levels for defense production, patterned From time to time the Federal after the so-called V-Loan Pro- Reserve reports to Congress on the and wages. Machinery has been value of current incomes and ac- the monetary reform worked mir- On the restrictive side, we have sons for those actions. That is not acles in reviving production and issued Regulation W, dealing with only essential to our system of consumer instalment credit, and Government, but helpful in mak-Fiscal measures already taken forces operating toward inflation successes in recent years—a situa- Regulation X, dealing with real ing a realistic appraisal of the efinclude legislation for prompt, are likely to be strong; it is not tion far different from that pre- estate credit for new construction fects of actions taken, or not though moderate, tax increases, possible, however, to predict what vailing at the outbreak of the of one- and two-family houses. taken, under our public respondesigned to raise some of the ad- measures may be adopted to re- second World War when govern- Since the original restrictions of sibility and with the powers ditional funds needed. In addition, strain them nor to know how ef- ments looked back over a period consumer credit did not prove granted by Congress to meet that

## The Security I Like Best

While still in what may be called the experimental stage, tities large enough to permit actual satisfactory progress has been made toward the twin goals of lower costs and improved producformed in February of this year the Titanium Metals Corp. of America, owned jointly by National Lead and Allegheny-Ludlum Steel Corp., to market and company also has Navy contracts. distribute titanium metal in fabriin fabricating profits without any capital investment in plant and equipment.

Present market of about \$52 is approximately 71/2 times estimated serves most every requirement of 1950 earnings of \$7 per share. Total dividend distributions this year, including extras, are expected to amount to \$2.75 or \$3 per share indicating a yield of about 51/2% on the shares of this fine growth company.

#### MASON B. STARRING, JR.

A. C. Allyn & Co., Inc., New York City. Members: N. Y. Stock, Midwest Stock and N. Y. Curb Exch's.

(General Precision Equipment (corporation)

When you are able to obtain a tax-exempt yield of about 6% in a growth company that has paid dividends in every year since

1936; that is selling for about 8 times its average earnings for the past 10 years, and is in a very strong current position, what are you waiting for? Such is General Precision Equipment Corporation stock, and those are my



M. B. Starring, Jr.

favorites. General Precision is a holding

company. It was formerly known as General Theatres Equipment Corp. and was reorganized in 1936. United States and in foreign the desirability of diversification so as not to be so dependent upon the moving picture industry, has spect. The company now consists theatres. of some eleven companies or di-

motion picture projectors for edu- and outdoor theatres. cational, amateur and industrial at the popular-priced market.

The company has received some and anticipates doing a large business with the U.S. Government.

Askania Regulator Company, Chicago, acquired in December, 1944, is known throughout the world as one of the leading manufacturers of industrial control equipment for the steel and other heavy industries. This equipment is also applicable to control and measurement problems in many other industries. This is a growth industry with tremendous poten-

heat and ability to be surface tialities. This company also has defense contracts.

National - Simplex - Bludworth, Inc., New York. The Bludworth tanium metal is now being pro- Division is one of the best known duced by National lead in quanti- suppliers of electronic navigation equipment for the marine field. tests in various applications. Also, Regular products include echo depth sounders, radio direction finders, radio telephones; special equipment of a similar nature is tion techniques. In connection supplied for other applications, with this program, there was such as oil exploration and sedimentation studies. Another growth industry with a big future. Over 5.000 vessels both large and small, use Bludworth equipment. This

National - Simplex - Bludworth, cated form. This tie-up will per- Inc., New York-National Tneatre mit National Lead to participate Supply Division is the parent company's important sales and service organization. It is unique in the extent of its facilities and in the range of products offered, as it the theatre. In addition to the famous "Simplex" line of projectors and sound systems, and other products of International Projector Corp. (99.9% owned), and McAuley and Hertner Electric Co. (wholly-owned) it distributes a wide variety of items not produced by companies in the General Precision Equipment Corp.

> The Hertner Electric Company, Cleveland, acquired in 1941, is the manufacturer of the "Transvertor" line of arc-generator equipment, of special generating equipment, including a wide variety of industrial battery chargers, and a complete line of high-cycle alternating current motors. Electronic manufacturing includes the "Precision" projection television receiver distributed by the National Theatre Supply Division.

> This company is now starting to produce a projection-type television receiving set of advanced design, having a screen 36 inches wide and 27 inches high. The market for this set will be largely in the lounges of motion picture theatres, in hotels, clubs, bars and

International Projector Corporation, Bloomfield, New Jersey, is the oldest and largest manufacreasons for it being one of my turer of 35 mm. sound motion picture projectors. Its "Simplex" projectors are widely used in the motion picture theratres in the sound systems and the auxiliary equipment required for sound and

uses. It also produces a magnetic Toledo, Ohio, is a prominent man-ropean continent. tape recorded aimed particularly ufacturer of carbon arc lamps for motion picture projection and Commercial Engineering Director spotlight uses; also associated rec- for General Precision Laboratory,

graphic arts.

Librascope, Inc., Glendale, California, acquired in 1941, has become one of the best-known names in the computer field, particularly through its pioneering work in linkage computers for aircraft, naval and industrial applications (such as gunfire control, air and marine navigation,

The Librascope Tri-Stimulus Integrator is sold through the General Electric Company as an adjunct to the General Electric Spectrophotometer. This is but one example of the application of mechanical computers to industrial practice. Mechanical integrators and other computer components are furnished for industrial uses. Librascope's new, modern plant at Glendale Calif., contains the extensive engineering more series. facilities and specialized production equipment required for its unusual and precise work. This company also has tremendous growth possibilities.

Sec-o-matic Corporation, Bloomfield, New Jersey, distributes and services a new design of drycleaning machine-using synthetic solvents, having the special safety features and automatic control required for use in small establishments.

After many model changes and substantial investment, this machine has but just gone into production. It is meeting with a very favorable reception.

Theatre Equipment Contracts Corporation, New York, is a finance company handling instalment contracts and deferred payments on theatre equipment and other products sold by subsidiaries of the General Precision Equipment Corp.

General Precision Laboratory, Inc., Pleasantville, N. Y., maintains research and engineering facilities qualified to handle a wide range of electronic, mechanical and acoustic problems, but specializing particularly in motion picture, television and instrumentation requirements. In addition to providing research and development facilities for other companies in the G. P. E. group, contracts are accepted from outside industrial firms as well as the government.

This company also now has substantial government contracts. It is one of the most important units in the group and now employes some 225 engineers, scientists, and

"Of considerable interest to the The new management, realizing countries. Production includes American television industry is the announcement by General Precision Laboratory, Inc., Pleasdone an excellent job in this re- projection in indoor and outdoor antville, New York, of a license and sales arrangement between J. E. McAuley Mfg. Co., Chicago, that company and Pye Limited of is a manufacturer of carbon arc Cambridge, England. Pye has long Ampro Corporation, Chicago, ac- lamps for the motion picture in- been a large supplier of television and is a well-known trade name The Strong Electric Corporation, throughout England and the Eu-

"According to Mr. Blair Founds, substantial orders from the Navy, tifier equipment and reflectors. the designs made available

Ten-Year Record of Sales and Earnings, Years Ended Dec. 31

	Net Sales	Net Income	Earned per Share
1949	\$26,711,926	\$456,485	\$0.76
1948	27,008,450	936,679	1.56
1947	27,748,137	1,262,111	2.10
1946	23,261,996	2,082,950	3.47
1945	25,587,866	1,390,954	2.31
1944	24,096,904	1,138,147	1.94
1943	20,964,525	1,255,907	2.14
1942	17,317,494	1,265,519	2.16
1941	14,048,798	1,315,418	2.24
1940	9,130,186	849,820	1.45
Ten-year Average			2.01

Industrial applications include the through the Pye arrangement so Strong Graf-arc lamp used in the complement those of his own organization that an almost complete line of film, studio and field reo equipment can be put into production. This is expected to make General Precision Laboratory an important supplier to the American television industry. . the GPE-Pye agreement brings to the American television scene the 'know-how' of a supplier to the older British television industry. together with the latest in American design at a time when American television expects to experience its greatest and most rapid growth.

#### Capital Stock

Authorized: 1,000,000 shares no par value common stock.

Outstanding: 601,087 shares no par value common stock.

Authorized: 120,000 shares preferred stock issuable in one or Authorized: 15,000 shares con-

vertible preference stock issuable in one or more series. Net Current Assets as of Dec.

including cash and governments of about \$4 million.

The stock is listed on the New York Stock Exchange and is selling around 17 at the present time.

has been engaged in carrying out a program of research, engineering and development of new and improved products (at the exback into the business (from earnings) over \$10 a share.

#### Dividend Record

The company has paid dividends in every year since it was

30.
Annual Dividend
Paid per Share
\$2.00
1.25
1.00
0.80
0.85
1.00

Dividends are currently being paid at the rate of \$1 per share annually.

The Internal Revenue Bureau has ruled that dividends paid are not taxable to stockholders. This results from the conclusion that the losses (for tax purposes only) arising from the sales of stock of Twentieth Century Fox Film Corporation made each year have been such that the corporation had no earnings or profits from which to pay dividends. Dividends paid by the corporation have been ruled non-taxable to stockholders in years in which capital losses exceeded such earnings and profits. It is estimated 31, 1949, were about \$17 million, that the General Precision Equipment Corp. still has sufficient holdings of Twentieth Century stock that by selling some each vear the tax-free status may be maintained for some years. Pay-For over two years the company ments of dividends during this tax-exempt period should be applied against the cost of the stock.

As the company has had average earnings of \$1.97 a share in pense of earnings), and has put the postwar II years, it has a good excess profits tax base should the tax bill be similar to the last one.

Continued from page 10

## International Economics **And National Defense**

reserves of the United Kingdom blind us to the fact that the need United Kingdom announced that imports by about 25%, and in July many of the Commonwealth countries which were members of the ilar action as rapidly as practica-

In recent months the situation deficit of the United Kingdom and countries has been eliminated, and dollar earnings have rapidly increased. The reserves of gold and hard currencies of the United Kingdom, \$2.76 billion on Sept. 30, are now more than double what they were at the time of devaluation. These improved positions should make possible a progresagainst dollar purchases. This reknown manufacturer of sound and types required for large indoor British Broadcasting Company, count the effect on the current tinued. balance of payments. It must also be recognized that priority must be given to the requirements of the collective security program, and that the economic and financial burdens undertaken by various countries to this end may adversely affect their current position. With these earnings qualifications in mind, however, we appear to have reached the point where a real beginning may be made in the progressive relaxation of import restrictions, particularly of the discriminations which have been imposed against the dollar area. This would also represent progress toward convertibility for current account transactions.

#### Defense Effort and Point IV

fense effort should not, however, the degree of financial stability

fell sharply to a low point of \$1,- for economic development in un-340 million. In June 1949, the derdeveloped areas will continue in a world which is prepared to planned to reduce its dollar defend itself. Defense is vitally important, but so, too, are the things which we must defend. We know that a higher standard of sterling area agreed to take sim- living in the underdeveloped countries gives greater assurance that they will maintain the type of political and economic organihas changed in the opposite di- zation which will in the long run rection. The balance-of-payments assure the world peace. We in the more advanced countries, within several other sterling area the limits of our resources, must not neglect the need for sound investment in these countries. In this connection, we may note the statement of the President of the International Bank at the recent meeting in Paris that the efforts of the Bank toward fostering the economic development of Asia and other underdeveloped areas would sive relaxation of restrictions go forward and that wherever possible the Bank would continue its laxation, of course, should not be efforts to finance sound economic carried to the point where ade- developments through its loans quate reserve levels are endan- and technical assistance. It is also gered, and the process of relaxa- important that our programs of quired in June, 1944, is a well- dustry, particularly the very large studio and field equipment to the tion properly can take into ac- technical assistance should be con-

is, nowever. the fact that national defense and international collective security will involve a real cost for all the countries concerned. While this cost, to some extent, may be reduced by higher levels of employment, additions to the labor force, improved processes or greater efficiency in the allocation of resources through the mechanism of international trade, we cannot carry out defense programs without some lowering of consumption standards and some curtailment of investment.

We can also hope that the cooperating nations will finance the programs by imposing adequate taxes and securing the cooperation of their people in providing the needed savings from current The great importance of the de- income. We should not sacrifice

which the world has attained with Continued from page 5 much effort over the last few years by trying to finance defense through inflationary methods. Inflation will merely exaggerate all of the difficulties of the program. We must have adequate defense, but it should be our objective to build up our defense while preserving the economic vitality of the cooperating countries. To this end, individual nations and international organizations must use every effort to reconcile as far as possible the immediate needs of defense with the long-run objective of expansion of trade, financial stability, free capital investment, and rising standards of living for all countries.

#### With H. A. Armington

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass. - Edmund G. Low has become affiliated with H. A. Armington & Co., 79 Milk

#### With Gordon B. Hanlon

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. - Frederick A. Nees of Keene, N. H., has become associated with Gordon B. Hanlon & Co., 10 Post Office Square, members of the Boston Stock Exchange. He was formerly with Herrick, Waddell & Co.

#### Join Investment Research

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass. - George R. Earley, William A. Henderson, Edward J. Modest, Harry Rutherford, and Robert A. Thom have become associated with Investment Research Corporation, 53 State Street. Mr. Henderson was previously with R. H. Johnson & Co. Mr. Modest was with J. Arthur Warner & Co.

#### With Joseph Jordan

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass. - Gaspar B. Marrone has been added to the staff of Joseph F. Jordan & Co., 79 Milk Street.

#### E. E. Mathews Adds

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass.—Frederick A. Wood is now with Edward E. Mathews Co., 53 State Street.

#### Joins Proctor, Cook

(Special to THE FINANCIAL CHRONICLE) BOSTON, Mass. - Donald L. Willis has been added to the staff of Proctor, Cook & Co., 35 Congress Street, members of the Boston Stock Exchange.

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#### With W. F. Rutter, Inc.

(Special to The Financial Chronicle) BOSTON, Mass. - Horace S. Pope is now affiliated with W. F. Rutter Incorporated, 19 Congress

#### Whiting, Weeks Adds

(Special to THE FINANCIAL CHEONICLE) BOSTON, Mass.-John Merrill. Jr. has become associated with Whi ing. Weeks & Stubbs, 53 State Street, members of the New York and Boston Stock Exchanges.

#### Joins F. R. Chatfield

(Special to The Financial Curonicle) SPRINGFIELD, Mass. - Raymond D. Jordan has become associated with F. R. Chatfield Co., Inc., 1537 Main Street. He was formerly with J. Arthur Warner & Co.

#### Bradley Higbie Adds

(Special to The Financial Cheonicle) DETROIT, Mich. - William J. Saile has become connected with Bradley Higbie & Co., Guardian Building, members of the Detroit Stock Exchange.

## The State of Trade and Industry

sidered range from 11c to 12c on the wage base and 3c to 5c on fringes. With tough bargaining ahead these figures are not final.

Shortages of steel and nonferrous metals are bound to become a great deal more acute in the months ahead. This is true because the full weight of defense and essential civilian programs has not yet been felt. Within a few months these programs combined will be taking about a third of all steel produced.

Although the defense program will ultimately be much larger than was at first expected, it is slow in getting underway. A check of tool and die shops finds them very busy. But hardly 5%, if that much, of their activity is on defense orders. Actual defense production will probably lag from 9 to 18 months behind the freezing of designs and ordering of tools for an itemized rearmament

This is causing many people in industry to wonder how Washington can possibly justify mandatory cutbacks in consumption of materials by civilian industries—especially if the defense orders which will require this material and which these industries will turn out are not ready to be placed. If the cutbacks lead defense orders too far it is feared unemployment will result, this trade authority asserts.

Despite their best efforts to clean up old orders by the end of the year, the mills are now resigned to heavy carryovers into the first quarter of 1951. Some consumers insist that deliveries are falling still further behind. But this is not generally true because of the careful screening and cautious acceptance of orders during the past 3 months.

Pressure from a boiling scrap market this week is causing a few leaks in the so-called "formula" scrap prices, this trade magazine points out. Upgrading is rampant. "Springboards" (consumers paying the freight) are appearing. And higher prices for small tonnages not yet considered representative have been noted in widely separated areas.

Perhaps the highest gray market price in history was paid by a Pittsburgh consumer recently. A shipment of gray market cold-rolled sheets cost him 31c per lb. or \$620 per ton. This is ironical because the reason this company can't get steel from mill sources is that it was caught selling surplus steel in the gray market.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 103% of capacity for the week beginning Nov. 6, 1950, compared to 102.4% a week ago, or an increase of 0.6%

Output for the current week will be the largest amount of steel ever poured from steel making furnaces and it will represent the eighth consecutive week in which steelmaking furnaces will be operated at an average of more than 100% of capacity.

This week's operating rate is equivalent to 1,986,600 tons of steel ingots and castings for the entire industry, compared to 1,975,000 tons a week ago. A month ago, based on new capacity the rate was 101.6% and production amounted to 1,959,600 tons; a year ago, based on the smaller capacity then prevailing when most of the industry was strike-bound, it stood at 21% and 387,000

#### Electric Output Shows Moderate Recession From All-Time High

The amount of electrical energy distributed by the electric light and power industry for the week ended Nov. 4, was estimated at 6,550,615,000 kwh., according to the Edison Electric In-

It was 11,503,000 kwh. lower than the figure reported for the previous week, 115,691,000 kwh., or 20.5% above the total output for the week ended Nov. 5, 1949, and 987,101,000 kwh. in excess of the output reported for the corresponding period two years ago.

#### Carloadings Show a Modest Recession in Metal Week

Loadings of revenue freight for the week ended Oct. 28, 1950, totaled 887,607 cars, according to the Association of American Railroads, representing a decrease of 3,383 cars, or 0.4% below the preceding week.

The week's total represented an increase of 296,292 cars, or 50.1% above the corresponding week in 1949, but a decrease of 43,366 cars, or 4.7% below the comparable period of 1948.

#### Auto Output Recedes Modestly From Previous Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 187,207 units, compared with the previous week's total of 188,200 (revised) units and 116,699 units a year ago.

Total output for the current week was made up of 153,682 cars and 25,400 trucks built in the United States and a total of 6,066 cars and 2,059 trucks built in Canada.

For the United States alone, total output was 179,082 units, against last week's revised total of 179,598 units, and in the like week of last year 112,838. Canadian output in the week totaled 8.125 units compared with 8,602 units a week ago and 3,861 units a year ago.

#### **Business Failures Point Upward**

Commercial and industrial failures rose to 181 in the week ended Nov. 2 from 160 in the preceding week, Dun & Bradstreet, Inc., reports. Casualities remained slightly below the 1949 total of 196 but exceeded the 104 which occurred in the comparable week of 1948. Failures were 43% less than in the similar week in prewar 1939 when 318 were reported.

Casualties involving liabilities of \$5,000 or more increased to 128 from 116 last week and were slightly lower than a year ago when 148 businesses succumbed in this group. A rise occurred also among small failures, those having liabilities under \$5,000, which rose to 53 from 44 and exceeded their 1949 total of 48.

All industry and trade groups had more failures than in the preceding week with the sharpest rise in manufacturing and the highest number since May. Failures were slightly below last year's level in manufacturing and retail and wholesale trade, while construction and commercial service, on the other hand, evinced an increase from 1949.

Six of the nine major regions reported weekly increases; the Pacific, East North Central, New England and West North Central states. Declines appeared in the Middle Atlantic and West South Central states. Casualties exceeded the 1949 level in the New England, West North Central, Mountain, and Pacific States, while declines prevailed in all other regions. There were only one-half as many failures as a year ago in the South Atlantic states; East South Central failures were down even more sharply

#### Food Price Index Continues Mild Forward Movement

Continuing the mild upward movement of the previous week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 2 cents to stand at \$6.52 on Oct. 31, from \$6.50 the week before. The current figure represents an increase of 14.6% above the \$5.69 on the corresponding date a year ago.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

#### Wholesale Community Price Level Rises Moderately

The Dun & Bradstreet daily wholesale commodity price index rose to 294.05 on Oct. 31, a new high since early February, 1948. This represented a rise of 4.19 points from 289.86 recorded a week earlier, and compared with 242.72 on the corresponding date a

Led by soybeans and corn, leading grain markets continued firm and scored further moderate price advances for the week. Demand for soybeans was aggressive while offerings were relatively light as farmers tended to withhold their 1950 crops for better prices. Interest in corn was stimulated by continued light country marketings and by reports of continued good weather which has aided in the maturity and drying out of the crop.

All future deliveries of corn sold at new high levels for the

Trading in wheat was comparatively small; prices rose largely in sympathy with other grains with buying by mills to remove hedges against substantial sales of family flour also furnishing support. Oats moved gradually higher in more active trading.

Volume of sales of all grains on the Chicago Board of Trade last week totalled 192,431,000 bushels. This was equivalent to a daily average of about 32,000,000 bushels, as compared with 34,-000,000 the previous week, and 33,000,000 in the like week a year

The announcement of new price rises resulted in substantial bookings of both family and bakery flours last week as buyers rushed to cover before the higher prices became effective. Demand for cocoa slowed considerably and prices fell rather sharply under liquidation prompted by reports of large British and French crops overhanging the market.

Domestic cotton prices continued to move moderately upward the past week. Trading in spot markets was seasonally active with total sales in the ten spot markets reported at 375,400 bales, against 315,400 the previous week, and 406,600 in the corresponding week a year ago. Strength in the market reflected active mill pricefixing, reports of increased military demand for goods, an upward revision of 146,000 bales in the export quota, and the possibility of a further increase in the quota.

The mid-October parity price for cotton was announced over the week-end at 31.87 cents a pound, as compared with a revised September figure of 31.74 cents.

Trading in the carded cotton gray cloth market increased moderately. Prices were generally firm with an upward trend noted in some constructions.

#### Trade Volume Adversely Affected By Credit Curbs **And Unseasonal Weather**

Consumer buying dipped slightly last week as the interest in soft goods tended to be adversely affected by unseasonal weather, and the interest in durables by the recently imposed credit curbs. The general level of retail dollar volume was slightly above that of the comparable week in 1949, Dun & Bradstreet, Inc., reports in its current summary of trade.

Following the advent of consumer credit curbs a few weeks ago, aggregate dollar volume of house-furnishings dipped somewhat last week; dollar volume continued to be noticeably above the level of a year ago, however. Among those items considerably affected by the restrictions were electrical goods, automobiles, radios, and television sets.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 2 to 6% above a year ago. Regional estimates varied from the levels of a year ago by these percentages.

New England, East, Northwest, and Pacific Coast +2 to +6; South +1 to +5; and Midwest and Southwest +3 to +7.

A combination of unseasonably warm weather and credit controls contribute to a slight general decline in wholesale ordering during the week

The total dollar volume of orders was moderately above the level for the similar period in 1949. The number of buyers attending various wholesale markets was nearly unchanged from the week before.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 28, 1950, rose 5% above the like period of last year. An increase of 3% was recorded for the previous week from that of a year ago. For the four weeks ended Oct. 28, 1950, sales showed a rise of 7% from the corresponding period a year ago and for the year to date registered an advance of 5%

Retail trade in New York last week had warm weather to contend with and, as a consequence, the normal seasonal expansion in sales volume was curtailed.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Oct. 28, 1950, advanced 4% above the like period of last year. In the preceding week a rise of 3% (revised) was registered from the similar week of 1949. For the four weeks ended Oct. 28, 1950, an increase of 6% was noted and for the year to date, volume advanced 1% from the like period of last year.

Continued from first page

# As We See It

and, moreover, had very definite intentions of making full use of her enhanced relative position in the world to spread Kremlin-dominated communism throughout the world as rapidly as possible. Time and again, these facts have been brought forcefully to the attention of the powers in other capitals. The Berlin blockade shocked the world into a fuller realization of the true inwardness of the general state of affairs. Korea was another case in point. We proved unexpectedly (that is, unexpected to the Kremlin) able to cope with the Berlin crisis. There have been surprises for both the United Nations and the Kremlin in Korea.

#### Basic Question Remains

Politically speaking, the need for drastic proposals which "went off the deep end" in rearmament and the rest was obvious so long as it appeared well within the bounds of early possibility that we should be pushed off the Korean peninsula into the sea. The turn of events following the brilliant (and fortunate) Inchon stroke relieved Administration officials of some of this embarrassment - which may or may not have returned in one degree or another as a result of the most recent developments. But the basic question remains as to precisely what our course should be, even if our task in Korea ultimately proves much more difficult than for a time in recent weeks seemed most likely. That is, indeed, a question to be most seriously studied even on the assumption that from this moment on we shall be plagued with one Korea after another for years to come.

It is true, of course, that almost anything could emerge from the current uncertain state of affairs, but are some of the policies now being proclaimed warranted even in the presence of these hazards?

Whatever the future may hold, we find it difficult, on the basis of the facts as of Nov. 8, 1950, to understand the rationale of this constant talk in and around Washington about an "all-out" military effort. We are not certain as to the precise meaning of the term, but if it is to connote what it has connoted in the past, we are at a loss to understand why such a course should be necessary or wise at present. We are quite unable to escape the suspicion that the New Deal and the Fair Deal hobby of exaggerated enlargement of capacity, particularly in basic industries such as steel, is being revived and nourished by frightening bedtime stories about what is likely to happen to us should we not do as the Fair Deal pseudo-economists tell us we must do. And there are those in Washington who like nothing better in the premises than control and more control of anything and everything in sight.

Let us not forget, for example, that we have now "in mothballs" battle and merchant fleets several times as large as all the remainder of the world put together. Doubtless there is need for specialized construction, but the fact is that most of the naval and shipping strength is modern in virtually all, if indeed not all respects. The size of our stockpiles of munitions generally and of the materials from which such munitions are made is not known to the general public, but unless mountains of these things have been permitted to rust away during the past five years, we are at this moment far from an unarmed nation.

#### 3,000,000 Under Arms?

There is reason to suspect that we have "softened up" in the training given men entering our armed forces, although it may well be that a good deal is now being done to correct this situation. It could be that we have permitted the size of our forces actually under arms to be reduced unduly, but when it comes to carrying at least 3,000,000 men under arms constantly for years to come, we must say that we begin to wonder if there is not a substantial element of hysteria abroad. Now that the election is over we earnestly hope that such ideas as these will be reconsidered calmly, dispassionately and realistically.

#### And \$30 Billion a Year?

And that \$30 billion (or is it to be much larger?) defense budget! Is it really necessary for us to shoulder any such burden indefinitely? Now that politics are at least temporarily on the sidelines, had we not better ask ourselves this question with the utmost seriousness. The very task of carrying such a load indefinitely could, of course, in the end weaken, not strengthen, us for any finish fight with the Kremlin and its supporters. There may well be need for more vigorous development and improvement of many types of weapons and of the production of them in reasonable quantity, but what would it avail us to pile up mountainous stores of these things only to find them obsolete by the time we are through piling them up? The time has come for second thought on many of these questions.

It is one thing to lay plans and be ready in the event of a sudden attack of major proportions; it is quite another to act as if we were already engaged in an all-out war.

One thing is perfectly clear. If we must proceed with this rearmament program in any proportions comparable to those now being projected, we must revise our ideas about the length of the work week and must somehow find a way to convince wage earners of the need for much greater willingness to work. We must reconcile ourselves to taxes comparable in amounts with those levied during World War II. It is only in some such way that it will be possible for us to maintain our plane of living and avoid ruinous prices.

Continued from page 6

## They Say About Gold . . .

of reserves; the U.S. (which now most effective in arresting and rewould need \$35,000,000,000; and the rest of the world would need \$25,000,000,000, or four times its present holdings. Measured by prewar canons, continues the article, there is an entirely inadequate amount of monetary gold in the world to serve at present currency prices as the basis for restoring anything like a free international trading and exchange system or indeed a secure international trading system of any kind. "Better management will have to make one ounce of gold do the work which three to three and one-half ounces did in the 1930s. . management will do nothing of the kind." The London writer concludes that it might be statesmanlike to plan ahead for two separate stages of redistribution and upward revaluation of gold, "but it will not happen like that

Washington continues its "statesmanlike" policy of distributing dollar reserves to the world through the ECA, military aid, Point IV and the like. That is the same as distributing our gold. But Washington turns a cold ear to the suggestion of an upward revaluation of gold.

#### Gold Uncertainty Kept Alive

Uncertainty concerning the future U. S. price of gold is kept alive not only by public expression of gold miners' views but also by various financial writers in London, a city which by virtue of worldwide mining investments is much interested in the fate of gold. Thus Mr. Norman Crump, financial editor of London's "Sunday Times," discussing recently lendir what he calls "an incipient flight away. from the dollar, observes:2

the devaluation of the dollar is a much more open question. Personally, I should doubt it, but I do not regard an increase in the dollar price of gold as quite the same impossibility as it seemed to be as recently as last summer.

Dr. Paul Einzig, London financial columnist of the "Chronicle, earlier this year wrote (March 30) that "throughout modern history, the secular trend of the price of gold has been in an upward direction." Again (August 3): "It is indeed inconceivable in the long run that gold producers should be compelled to sell most of their output on the basis of 1939 prices when the prices of all other mining products have risen by several hundreds of per cent." And last about declining American prices (Dec. 8, 1949): "The remedy which would be considered here as the

2 Crump as quoted in editorial in "Wall Street Journal" of Oct. 26, 1950.

has some \$23,000,000,000 of gold) versing the decline in American prices would be an increase in the American buying price of gold, preferably in conjunction with an all-around increase by all countries represented in the Interna-tional Monetary Fund." (Italics supplied.)

An editorial article in "The Financial Times" of London on July 9, 1949, "Price of Gold-Straws in the Wind," appears similarly

tendentious.

The statement by Sir Stafford Cripps that 'anyone would be extremely foolish if they said that the price of gold has to remain where it is for all time' has not gone unnoticed by people who fell that there may be more behind this utterance of the Chancellor of the Exchequer than appears on the surface.

"Why, it is asked, should gold be the only commodity whose price is pegged at its prewar level? One answer is that it is regulated by an international agreement. However, it is felt increasingly that the time is ripe for an adjustment of that agreement. . . . It is contended that a position might arise in which the United States would have to raise unilaterally her buying price for gold. After all, is not depression threatening that country? The United States would not be giving something for nothing by agreeing to pay more dollars for imported gold. To the extent to which the change would enable producers and holders of gold to buy American goods for the same quantity of metal it would obviate the necessity [sic] for financing the American surplus by lending dollars or giving things

The Chairman of "The Finaning enterprise

commodity prices are declining, to States Government yellow metal.

## Australian Sure Price Will Rise

views on the impermanence of gold. the present U.S. price of gold as follows:

'Since our last meeting the further devaluation of sterling and year, when Britain was concerned the Australian pound has funda-

still hanging on to the dollar price of gold of \$35 per fine ounce. believe there is nothing surer than that sooner or later the anomalous [sic] position of the dollar price of gold will be corrected. The present United States price of gold is just the prewar rate. The United States is trying to do today what Britain tried to do after both World Wars I and II, to retain the prewar price of gold and ignore the vast inflation that has taken place meanwhile. Britain failed. Out of her first failure came the Great Depression. I think the United States will also fail to retain the prewar price of gold. If she does not increase the price she will suffer a great de-

"What grounds are there for believing that this anomalous disparity in the price of gold between the United States and the rest of the world can continue indefinitely? Were it not for the 'terrors of the Law' in the United States and elsewhere it could not last for five minutes. And because I hold that belief I look forward to a still greater revival in the goldmining industry, and, as the relative rates of exchange are adjusted between the United States and the whole of the sterling area, a satisfactorily payable price of gold for a long time to come.'

In 1933 when the \$20.67 price for gold was abandoned by the United States on the over-simple Warren theory that the price of gold controls commodity prices, the wholesale commodity price index was approximately 65 (1926= 100). This summer, at 163, the index stood 150% higher than at the time of devaluation. Although the price of gold was raised by 69% in 1933, the dollar's gold content being reduced to 59% of its former amount, wholesale com-modity prices did not rise for more than a dozen years thereafter. Not until postwar 1946 did the annual average of wholesale prices reach the level which Professor Warren promised President Roosevelt. Had there been no price control, this would have happened during the war, but as the result of wartime influences, not of the 1933 change in the price of gold. Long before the war the Warren theory had been discredited among those who had been foolish enough to believe in it in the first place. The events of the 1930s after devaluation of the dollar made it quite clear that the dollar, for good or for ill, is the dog and gold is the tail. The purchasing power of the dollar in the commodity markets is not controlled by the price of gold, while the latter metal, finding far and away its principal market in government treasuries, notably that of the United States, is dependent on what governments choose to pay for it.

Of course it would be a great boon to gold mining interests if the U.S. price of gold were in-Whether it will go far enough cial Times," incidentally, happens creased. Gold from all over the to force Washington to take any also to be Chairman of the Union world would then bring its sellers definite action in the direction of Corporation, the large gold-min- higher incomes. Gold mines opon the man If we listen to the gold pro- ability or even in the red might ducers, we must raise the price of be converted into handsome ingold in the United States when vestments. But why the United prevent depression, and also when owe the world's gold miners a commodity prices are rising, to profitable living has not been avoid discriminating against the made clear to this writer. Gold may provide a convenient measure of how far the purchasing power of the dollar has declined Sir Walter Massy-Greene, since 1933. But the remedy for a Chairman of the Western Mining fever is not to change the mark-Corporation Limited, at the com- ings on the thermometer; and the pany's annual meeting in Mel- remedy for inflation is not to bourne, Sept. 29, 1950, stated his change the "anamalous" price of

#### South Africa, United Kingdom And U. S.

As the world's largest gold producer during the period of upset mentally altered the prospects of gold-mining in this country. "I do not think that we have have have been fortunate in that it can seen the full effect of war finance dig out of the ground the stuff on the price of gold. America is with which dollar shortages are largest possible return from its at prices different from the cur- bound to correct a serious disment of South Africa, whose views the IMF and its members. In fact price of gold and the inflated to maintain its suzerainty over are syphoned into the mines: on the subject are not always the British were the leaders in prices of commodities stands unproprietors, has restively watched in the Fund. British views on this markets and has sought, in some Bank of England in this instance reply to Mr. Havenga's statement measure successfully, to throw off have prevailed. The Treasury and the restraints with which it shackled itself when it subscribed to the Bretton Woods Fund Agreement. This in turn has brought it to obtain sterling at a discount. into conflict with the objectives ernments.

Africa as elsewhere desire to come for as long as possible con-bullion The South African Treasury and try's present monetary gold re-Africa than in the welfare of mine shareholders of a decade or generation hence. While the mine owners would be content to tap that are dark." their low-grade ore deposits under and so extend the life of their fore the South African Governthe International Monetary Fund, on the premium-price gold markets wherever situated.

the price of gold by all members of the IMF, a forlorn but pro- ment rejected both of the South claimed objective of the South Africans at the 1949 annual meeting of the IMF, the currency devaluations which took place at the termination of that meeting left even the most wishful thinkers in Rand gold circles very much stranded. The subsequent increase in the profitability of gold mining in South Africa must have diminishde whatever sympathy existed for the "plight" of the gold mine owners and the South African

The United States for many years has been the chief support of world gold mining. Even with the U.S. gold stock under reduction since the 1949 foreign currency devaluations, the law which requires the U.S. to buy all gold offered at \$35 an ounce still remains an outstanding, and perhaps the outstanding, reinforcement of the world's traditional confidence in gold. One need only imagine what would happen if the U.S. law referred to were repealed to appreciate that U. S. policy is the strongest support which world gold mining enjoys. Rightly or wrongly, the authorities in Washington regard the U.S. gold stock as ample for all U. S. needs. They therefore have frowned upon all postwar suggestions that the official U.S. price of gold be increased, or the dollar devalued. In Washington therefore the South African Government has been butting its head against a stone wall.

British Government. What Britain needed in 1949 was the stimulus of a cheapening of sterling in terms crease in the price of gold by all IMF members would not have

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has been anxious to obtain the premium prices anywhere, that is, claim that members are in honor it means we must blindly acqui- eras into the mines of the Rand. activities. The Govern- rency par values recognized by equilibrium between the fixed the American Bankers Association young men in the native reserves identical with those of the mine opposing South Africa's requests challenged." the high prices which gold has subject are not unanimous. But comment of the "S. A. Financial been bringing in black and free the views of the Treasury and the News and Times" concerning the the Bank of England do not want The Johannesburg paper called the citizens of any country to be Mr. Gutt's reply "half-hearted able, by selling gold at a premium, and semi-coherent." We quote an

It is quite likely that those in of the British and American Gov- the British Government concerned fuscated ambiguity M. Camille primarily with foreign, colonial Gutt's . The gold mine owners in South and Commonwealth affairs take a ture function of gold as a monemore complacement view of the tary backing requires some beatmake their mines a source of in- South African demands. Possibly ing. . . . We can foresee a radical sistent with sound management, minded. To these groups main- those now so strenuously opposed taining contacts with the East is to what is the only commonsense central bank, on the other hand, important. In view of the history attitude in respect of goldare more interested in the coun- of gold trading in the British Crown Colony of Hong Kong and serves and in gold as a positive the protectorate of Kuwait-both element of the present balance of of which have played an imporinternational payments of South tant role in postwar trading in gold at premium prices-it would appear that not all in London are anxious to interfere with "ways

The IMF staff paper prepared prevailing profitable conditions, as a result of the South African lic wishful thinking and some of resolution on gold adopted by the property, the government is more Board of Governors of the Fund interested in a larger dollar in- in Steptember, 1949 recommended come now. In recent years there- a more liberal treatment of the here may be pertinent. private traffic in gold at premium ment has been seeking-through prices. The Fund's directors, however, did not go along with that Sept. 8, 1950: necessarily-both a higher dollar recommendation. Their statement price of gold in the United States of May 3, 1950, although not a and freedom to sell gold freely unanimous view of all Fund members, reaffirmed the stand taken by the Fund in its letter on gold As to the uniform increase in policy sent to all members on June 18, 1947. The May 3 state-African proposals. While the South Africans have had the support of the Netherlands, Belgium and France in seeking greater freedom to sell gold at premium prices, the UK's opposition has had the support of the U. S., Canada and India, the latter primarily for political reasons. Some observers suspect that there has been a "deal" between the British supporting the U. S. on the IMF in the "S. A. Financial News matter of a uniform increase in the price of gold while the U.S. 22, 1950: supports the British on the matter Government otherwise would complacently countenance opinion is that private hoarding able reception given in secret Continued from page 8 of gold is wasteful of national fi of gold is wasteful of national fi- committee. . . nancial resources and is particularly to be frowned upon when it occurs in countries which the U.S. is economically supporting.

#### South Africa and the Fund

Naturally South Africa's reaction to the Fund's immovability is hard. At Paris, Mr. Havenga ac- of gold they [the Americans] can cused the Fund of discriminating assure to themselves the leaderagainst South Africa and gold ship of the western world for producers generally. He charged the great trading nations with feeding gold to the black markets premium prices. The Fund staff, he said, estimates that in 1948 only one-fifth of the gold that went into private hoards was the IMF in Washington to connewly-mined. The rest, he stated, came from the reserves of govern-Nor did a uniform increase in ments and central banks to which the price of gold appeal to the under the Fund agreement goldproducing members are supposed and Times," Johannesburg, April to sell their output at the official of the dollar, the course adopted price.3 The gold-producing counin September, 1949. A uniform in- tries, he added, have little or no with almost breathless expectancy benefit from the grants and cred-

would have provided a greater dollar income to the sterling area's gold producers.

The British have been especially opposed to the second South African objective in its negotiations with the IMF: permission to 

3 For the purpose of his 1950 statement the South African Finance Minister went back to 1948 figures, presumably because they better made his point. According to the best estimates, in 1948 the non-Soviet world supplied hoarders with \$310,000,000 of gold, of which only about one-fifth was newly-mined metal. In 1949 the amount provided hoarders was an estimated \$200,000,000, of which half is believed to have been newly mined.

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Even more outspoken was the offered by the Fund's chairman. editorial:

"For perfect fatuity and obdefinition of the fudealers are similarly change of front on the part of namely, a more equitable [sic] alignment with those of commodities in general."

Neither Mr. Havenga's nor the editorial statement should be allowed to go unchallenged.

#### Wishful Thinking Gets Nowhere

Gold-mining spokesmen of the industry are often guilty of pubtheir utterances are closely akin to economic and political nonsense. A few other quotations

A cock-sure editorial in "The News Herald," Vancouver, B. C.,

"[After citing Secretary of the Treasury John W. Snyder's statement to the IMF governors that the U.S. Government has no intention of raising the price of gold above \$35 an ounce.]

"This, on the past performances of such officials, can only be interpreted as meaning that it is a certainty that the U.S. is heading for dollar devaluation in terms of That is just the way these finance ministers talk. have come to understand that the more emphatic they are, the more certain it is that what they deny is on its way.

An astonishing report on the United Kingdom and the U.S., the Paris governors' meeting of the sell gold to the U.S. at \$35 inand Times," Johannesburg, Sept. payment.

"Paris 'leakage' reports from of premium-price trade. It should well informed quarters assert price very much less than had to "Life" magazine, which not come Funds, 152 Temple Street. been anticipated. Havenga was the premium traffic. Washington not prepared for extremely favor-

Dr. J. E. Holloway, ex-Finance Secretary of South Africa, in an interview published in July 1950 when the U.S. had been losing gold steadily for many months; selling the metal at \$35 an ounce:

"By salting away vast reserves is the reason why they want and must have as much gold as they can possibly get on the cheap.'

Fantastic comment on a meeting of the executive directors of sider the South African gold resolution, as published by the editors of the "S. A. Financial News

"Today's meeting is awaited by the exchanges since what transpires may even eventually

world.

Far-fetched observations by the U.S. dollar:

"A sensible solution of exrupting world trade would be a devaluation of the dollar or an increase in the price of gold. It looks as if the next step by the western powers would be a reconsideration of the whole exchange position in the light of the ruble's convertibility.'

And absurd findings by the same author in the March 31 edition of that Johannesburg publi-

"American 'greenbacks' were convertible into silver on demand, but this obligation has been abolished since the war. Apparently the Americans are short of silver, as they are now short of gold, to honor their currency obligations. Silver has risen in price, but gold is still on offer."

And from an American, Mr. Frank Lilly in the "Chronicle" of tears. Sept. 28, 1950:

"Since that time [1931] the parity price of gold in London has been increased . . . [to] \$102.17 an ounce.

Such is the reading matter placed before gold miners. Merely to quote it is enough to describe the dream world in which many advocates of gold mining interests seem to live or to want the rest of us to live.

#### Who Is the Exploiter?

Recently the "S. A. Financial News and Times" of Johannesburg under the caption "Amer- J. A. Rajican Gold Exploitation Menace" Building. published an article by a South African economist. The thesis is that the selfish and greedy United States keeps on buying gold at a bargain price. The article does not make clear why the unselfish outside world is so foolish as to stead of insisting on some higher

One may be pardoned for wondering just who is the "exploiter" not be inferred, however, that the American resistance rise in gold in this gold business. According D. Lundy is associated with In-

eliminated. The country therefore sell half the newly-mined gold at its the U. S. is distributing. "My gold is 'not worth the candle' if long ago took its revealing camesce in any deviation or device of more than half of the able-bodied the financial destinies of the 330,000 men a year. Each man is a "unit". Says "Life":

"The work is arduous, the pay George Hallatt in the same paper, low. The only raise in thirty half a year after the widespread years was given in 1944 to bring currency devaluations vis-a-vis the scale to 38c a day plus food and lodging. The men are locked up at night, in crowded comchange troubles which are dis- pounds, without women or families, for nine, 12 or 18 monthsbut still they flock to the mines. The main compulsion is livelihood. The native must earn the white man's money to pay the white man's taxes which become collectible when a native is 18. Without a tax receipt most natives cannot work or even walk the streets of the Union's modern cities. . . .

Finance Minister Havenga complains that gold is the only "commodity" that has not had its price raised. But it would appear that the black "units" of South Africa are the commodity being exploited. Perhaps the United States is at fault in the last analvsis in that it offers a steady market for this pretty metal so painfully extracted from the bowels of the Rand with blood, sweat and

#### With Chas. Scranton

(Special to THE FINANCIAL CHRONICLE) NEW HAVEN, Conn.-Clyde C. Fowler is now associated with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange. He was previously with R. F. Griggs

#### J. A. Rayvis Adds

(Special to THE FINANCIAL CHRONICLE) MIAMI, Fla.-Philip I. Schaffer has been added to the staff of J. A. Rayvis Co., Inc., Langford

#### With Gordon Graves

(Special to THE FINANCIAL CHEONICLE)

MIAMI, Fla.-John E. Parrott, Jr., and Mrs. Joseph P. Sherry are now affiliated with Gordon Graves & Co., Shoreland Arcade Building.

#### With Income Funds

(Special to THE FINANCIAL CHRONICLE) NEW HAVEN, Conn.-Richard

## **NSTA** Notes

#### INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold its Winter Banquet at the Benjamin Franklin Hotel on Feb. 21, 1951, and its Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland, Pa., on June 15, 1951.

#### DALLAS BOND CLUB

On Oct. 16. Fred F. Florence President of the Republic National Bank of Dallas gave a luncheon for the Dallas Bond Club in the Texas Room of the Baker Hotel. Guest of honor and speaker was Earl B. Schwulst, President and Trustee of the Bowery Savings Bank of New York, whose topic was "Observations on the Outlook for Savings and the Bond Market.'

At the speaker's table were:

Clayton R. McCulley, First Southwest Company, Secretary, Dallas Bond Club. J. Lewell Lafferty, Vice-President of the Republic National

Bank. A. B. Culbertson, Executive Secretary-elect, Baptist Foundation of Texas.

W. R. Newsom, Jr., Sanders & Newsom, President, Dallas Bond Club. Earl B. Schwulst, President and Trustee, Bowery Savings

Bank of New York. Fred F. Florence, President of the Republic National Bank of

Dallas—The Host.
H. Woodruff Tatlock, Treasurer, Prudential Insurance Company of America, Newark.

Ben C. Ball, Vice-President of the Republic National Bank. Thornton Sterrett, Treasurer, Southwestern Home Office, Prudential Insurance Company of America, Houston.

James W. Aston, Vice-President of the Republic National

Robert E. Moore, Fishback and Moore, Dallas.

## Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

By the time you read this the election returns will be a matter of history. But what will happen next is in the province of speculation. I use the word "speculation" in its purest sense, not relating to the stock market.

There's little doubt but that the market is finding plenty to feed on in the election returns. There's also, however, the imminence of the inaround the corner for so long. Week is the logical result. Added to all these purely domestic issues, there's the acute problem of the Korean annish about this whole thing. those of the author only.] War.

Even the most naive suspected that the Korean campaign was just the beginning of a major war. Whether or not the UN will authorize Gen. MacArthur to carry the war into China is unimportant for the time being. For if it doesn't, it will simply be a question of time when numerous "incidents" will occur that will put us in deeper, with or without the sanctification of any international body. To

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think that the market can I don't like declining markets good wages, however, only if they eyes to the obvious.

its scares out other groups. When they sell they scare still fect on prices is cumulative.

even minor selling can break the selling increases its tempo the drastic sell-off you saw creased taxes that have been last week and Monday of this

stay aloof from all these de- any more than the next felvelopments is to shut one's low. I most certainly don't like wars which build noth- reduced appreciably, then the fall ing. But I'm not going to close in the value of weekly take-home This market isn't acting my eyes to the live facts that any worse than any previous stare me in the face. From prewar markets. The first present indications there'll be news, or expectation of news, a lot more shooting. Maybe brings about selling. The fact no permanent prosperity is that the public frequently built on such a weak foundamakes its own lower prices by tion. But permanence is rela- of the soldier's widow who is reclambering on each other's tive. The orders for more and ceiving \$60 a month. backs to dump, is apparent more materiel will increase as very early. As one group sells sure as this is being written.

All this adds up to a others and so it goes. The ef- number of things, the im- Will Win Fight Against Inflation portant one for our purposes being that, stocks now down, In present day thin markets will meet resistance and go up again. I can only repeat some stocks wide open. When what I wrote last week. It doesn't take any guts to buy them when they're up.

[The views expressed in this article do not necessarily at any time coincide with those of the I'm not going to be Polly- Chronicle. They are presented as

Continued from page 15

## "We Will Win Fight Against Inflation!"

evitable.

These industrialists also said they had a report which proved the United States could only absorb 42 million automobiles, that 37 million were already in use, and that therefore the production of cars should be curtailed.

Is it right in any system of free enterprise, however, for the supplier to dictate to the customer when and what he can buy? Also it would seem that the American people, not any industry, or any group of industries, should decide how many automobiles the nation can afford on the highways.

Now this is where the relationship between unusual profits and scarcity comes in. After deciding that expansion would be wrong and that scarcity would be better, this same company increased its profits over 750% between 1945 and 1950

Another illustration shows even between artificial scarcity and opportunity prices.

Some years ago, when the copper supply in this country exceeded the demand, a heavy tariff duty was put on the importation of foreign copper.

copper rose to where port over 35% of our copper, however, there was a logical demand this tariff be eliminated, because what is the use of any such tariff when, apart from any counted in the fight against dedefense demands, such a large feat on the economic front through percentage of our copper must come from friendly foreign countries?

In this case, the fight against repeal and in favor of the copper tariff was led by a copper executive who believes production should be held down, but not his opportunity profits; because his own company's earnings in the second quarter alone of 1950 were far in excess of his profits for the entire year 1945.

copper mines, as well as many would be futile; and inflationary large and small users of copper in pressures would give labor a critithis country, point out that this cal problem. As example, if an method of keeping production industry had a base hourly rate of down to keep prices and profits \$1.75 an hour, that would be up is being actively exploited by \$3,500 a year on a 40-hour week the communists to breed ill will and a 50-week year. Those are

carrying excessive capacity in the against both our Government and depression they considered in- the anti-communist governments in the exporting countries.

Does this point the way to a good neighbor policy's

It is not just your Government protesting these shortages, or the little oil man down so many feet whose money is running out and who can't get pipe. Protests of such shortages come from many of the largest corporations in the country. In the interest of national security, it has recently been necessary to allocate steel for the production of freight cars. because what is the use of producing ammunition if it can't be ry about. transported?

#### Some Hopeful Signs

There are some hopeful signs. Recently the young head of a great automobile company visited Washington to explain why it had become necessary for him to raise prices. He felt his figures proved his point-but a general more clearly the adverse results price rise at this time from one to the nation from this alliance of the "Big Three" car companies might well have hit this economy an explosive inflationary impact.

So his Government put it up to him, not as a business man solely interested in his earning statement, but as an outstanding American citizen; and when the is a vast land, rich with untold When American demand for first of his new line of cars came resources. There is an immense out, it was announced there would industrial machine behind that be no price increase.

This young industry leader put his country before his pocketbook. He stood up and was inflation His father and his pioneer grandfather must be mighty proud of him tonight.

Already we are getting emphatic protests from labor about price rises. They claim these increases are in effect wage reductions; and they are.

Some labor leaders have expressed opposition to credit controls, stating these controls hurt people in the lower income brackets; but any controls which do not American owners of foreign restrain inflationary pressures

If through price and wage increases real purchasing power is pay becomes a very real problem to that worker; and far more of a problem to an elderly couple retired on \$150 a month; or anybody on any pension, or anyone living off life insurance, or dependent on any fixed income.

Worse of all would be the plight

The farmer's problem is similar. If his crops bring prices which don't represent real purchasing power, his apparent prosperity is an illusion.

So what is the answer? Let's have no ambiguity about it. The American people are going to win this fight against inflation. Their Government is going to win it for them with the minimum of controls and restrictions and directives that are so unwelcome to all of us, if it can be won that way.

We are going to win it, if it can be won this way, with a few selective controls and with a higher tax policy in effort to pay as we to discourage the drive for ever greater profits, and to siphon off boom-time purchasing power.

If we can't win it this way, we are going to impose whatever controls and issue whatever direc-

tives are necessary.

Basically, the fight against communism on both the military and diplomatic front, and the fight against inflation will be won only if we produce and produce and produce-only if we expand our facilities, and our productive power, and if all of us, workers and industrialists and farmers, go to work to get the last ounce of production out of our fields, our good earth, and our machines—only if we produce to the utmost of our capacity, with the full realization that we are in substance and in fact in a great battle of production; and that if we do not concentrate all of our attention and all of our energy upon the problem of tomorrow, there may be no day-after-tomorrow for us to wor-

Production is both the greatest asset and the most outstanding characteristic of the American people. It is the only real and permanent answer to inflation.

Production will give us a richer life. More important, it may mean our survival as a nation.

Korea reminds us that communism never sleeps, and will break the line whenever and wherever we weaken.

Do not underrate the production potentials of this aggressor. We can no longer think of the sweep of territory behind the iron curtain as a place where peasants scratch the earth with a stick. It iron curtain; and we now know that the greatest share of its production goes into implements of war, and into more industrial capacity which in turn will be used

That industrial capacity is producing fighting weapons. Unskilled peasants didn't make the tanks that swept over Americans in Korea.

When you count resources, add in people. In Europe behind the iron curtain there is a population of 270 millions, and the communist or communist controlled people of the world now total over 800 million people. In terms of sheer power output it takes a lot of motors to match that many people.

driven whenever a calculating loved country.

aggressor chooses to drive it, and theirs is the choice of where and when.

In wartime we ask our civilians to reduce their scale of living in order to release materials and labor for military supply. But the millions of people behind the iron curtain who have never had metal toys to give to their children, or pressure cookers to put on a porcelain range, or enough to cook in any kind of a pot, have nothing to give up. What they did without, when they did not have the means, they do without now, though they have greatly increased their ability to produce, all by a system of grinding controls and deprivations that has become synonymous with Communist dictatorship. For their consumers there is little, for industrial development looking to production of war goods there is much.

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One of the tenets of militant Communists is that what they call the bourgeois-capitalist-democracies are doomed. They preach that we cannot prevent shattering depressions, that we cannot avoid misery and unrest.

Nevertheless, they are uneasy, because American production in the American democracy is vindicating itself at home and throughout the world by producing more than ever before, and by spreading the goods of production more widely than ever before.

Theirs is the propaganda of hate and promises. Ours is the propaganda of fulfillment. We have to match their falsehoods with Marshall-aid tools, machines, seed, corn, gasoline and electric generators.

But we must do much more than immunize Europe against their propaganda. When their promises begin to fall on deaf ears, when their boring from within reaches the armor plate of internal stabilization, when their diplomatic strategy gives out, then will be their hour of decision. Let us be ready!

What a bitter irony if we failed, not because we suffered a shattering depression, as they say we will, but because we indulged in a talse fair-weather prosperity: not because we were torn by misery and unrest, as they say we will be, but because of selfishness and indifference

I join in the prayer of all Americans that our grandchildren may read in their history books Korea was an isolated incident. But we in the United States must now realize that the only true hope for secured peace is adequate preparation.

The base of that preparation can and should be established now. as we move against the enemy of inflation. That base is some selfdenial combined with a dynamic expanding economy.

What shall we do then to hold the peace? What shall we do to prepare for the possibility of war? What is the best way to stop incivilian scale of living that vindicates the American system while we are arming to defend that sys-

To all these questions, there is for still more implements of war. one real answer: greater production today, even greater production tomorrow.

To preserve and strengthen America is the responsibility of each of you as leaders of public opinion. You have a duty to make clear to every citizen the requirements of our survival - to the housewife whose budget is strained by rising costs, to the mother whose children are learning the values of democracy in our schools; to all Americans weowe an allegiance to present all, Whatever we think of the these facts which so profoundly methods used to develop the eco- influence our national life. Once nomic potential behind the iron these facts are understood, no curtain, we must be realistic in sacrifice will be too great to facing up to the result, a wedge achieve that unity necessary for of immense force that can now be the peace and security of our beContinued from first page

## Foreign Trade and **National Preparedness**

many instances became even more important than the parent cities. The building and use of these but continuously an increase in to make to build up the flow of trading vessels led logically to exports which brought about a materials if war approaches. the establishment of strong naval sufficient return flow of raw maforces which enabled the Greek terials to increase production. cities to resist the Persian inva- However, it was not until the Eusions, perhaps thus making it pos- ropean Recovery Program was sible to keep alive the tradition placed under way by the United of democracy which is so important to us today. Perhaps, too, the flow of wealth created the prosperity which made the Greek citizens willing to finance their fighting forces. Centuries later, Spanish and Portuguese ships, searching for a short route to the rich spice trade of the Far East, found the New World. England, a small island country, entered into this quest for trade outlets and smartly and quickly developed tries to rebuild their military the naval strength which made it predominant in the quest. Its commercial companies were well established in India before the English Government seized control. Military strength was used to protect great trade channels. Throughout the years, following a policy of liberal trade and full protection of foreign investments. this small island country held the major position in the world economy. Always its trade policy was sustained not only by its foreign policy, but by the support of that of the strongest navy in the world.

#### Romance - In Foreign Trade

In Germany, the real significance of foreign trade became ap-Certainly I had taken for granted the working of the modern complex industrial economy without a stockpiling program which has eign trade and exchange. Here in sufficient reserves of critical ma-America we had for many years an economy much more self-sustaining than had most countries of the world. Nevertheless, we have never had all of the raw materials essential to the preservation of this complex economy, and our production would drop quickly if we did not have access to raw materials which are which we know we can protect. not available within our own boundaries.

Germany was almost devoid of create raw materials other than coal and rather low grade iron ores. Its concentrated population had maintained a fairly decent standard of living throughout the years by the importation of raw materials to be manufactured in finished products which could be exported in sufficient quantities to pay for the essential raw materials and still supply the home demand. However, with the collapse of the German Government and with currency worthless, it became impossible to purchase raw materials in sufficient quantities to rebuild any appreciable productive output. Germany's neighbors were willing to send soft goods to Germany but the German economy could not afford to purchase soft goods. At a result, we were compelled to require payment for its only large raw material export -coal-either in dollars or in exchange for raw materials which could be used to build up production. Obviously, this limited trade with Germany's neighbors to barter for raw materials or hard goods. As a result, the Rhine and the Rhine Ports were idle. surplus vegetables: Denmark had

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European recovery as a whole. Still, our policy did permit slowly States that the barriers were lifted sufficiently to bring a prompt and, made progress in attaining an understanding. Sound political in fact, an almost miraculous recovery. The important point that we had learned was that the high to offset the false promises result only from the knowledge breakdown of production in Ger- of communism. Within a few gained in the relationships of many had punished not only the years, our economic policy has years of trade. Germans, but also had retarded European recovery. In retarding a military pact against aggression European recovery, it had made impossible any realistic effort on the part of the European counstrength, thus helping to restore balance in Europe. Precious months were lost because neither ourselves nor Germany's neighbors realized this now apparent

#### U. S. Dependent on Certain Foreign Materials

In our own country we had learned both in World War I and II of our dependence on certain essential raw materials which trade agreements among the rewere not available in this coun- spective countries, and these trade try. In World War II, we expolicy through the maintenance pended huge sums in developing and increasing the production of such raw materials elsewhere. We of time, progress in the removal also entered into special trade of barriers has been reassuring, agreements even with countries and has made possible the steps in direct touch with our enemies parent to those of us taking over to obtain goods deemed essential the responsibility for government to our own war needs even at the within a few days after surrender, risk of furnishing them with goods of like category. After World War II we embarked upon thinking of its dependence on for- as its purpose the building up of terials in this country to see us through a long war, and this stockpiling program continues. It is designed to make us independent of those areas which we might lose either through the creation of reserves in this country or through the building up of increased production in those areas In this latter field, our trade

is of paramount concern. To increased production in many instances requires not only the investment of capital in the form perhaps of machinery and equipment, but also in many instances the development of incentives which will make additional labor available for production.

The development of incentives through trade is not a new pro-Undoubtedly, the early Greek ships crossing the Mediterranean carried beads and baubles which would appeal to the less enlightened natives of North Africa, just as our ancestors brought beads and baubles to exchange with the Indians for security, furs, and other items of value.

island in the Pacific, and attempted to utilize native labor for stevedoring and other work, and as we attempted to increase agricultural production on these islands, we were confronted by the nels throughout the world develfact that native labor was satisfied and not interested in undertaking additional activities. Thus, we had to develop a trade program to make available incentive goods of types and kinds which led the natives into undertaking Holland had no market for its the work which would give them the means to buy these goods. the solution of the problems which no market for certain of its fat Similar incentive programs were products. Even Italy had lost a undertaken in North Africa when large portion of its fresh fruit our troops arrived, and in many market. In the absence of outside other places throughout the world munism, it is of even more im- ger make a talk in which I fail to aid, such a policy could not be where we were interested in in-

lishment of trading centers be- now in Communist hands there is play if we are to maintain free came almost a part of our mili- a need to bring about a realiza- enterprise within a free world.

of raw materials consistently only as we make available finished

#### Cold War Is Economic War

much an economic war as it is a our foreign policy and the direca standard of living sufficiently not come about by chance; they made possible the development of which has real meaning. Without the problems involved can only this economic aid and without the be resolved by careful and speexchange of goods which developed as a result, there would have been no hope of securing strong military support in Europe for freedom, and our own immediate military responsibilities would be even larger than they are. Of course, there remain many obstacles to the free exchange of goods among the European councountries and the rest of the world. By and large, the exchange relationships. Thirdly, we must of goods is still conducted under have recourse to raw materials in agreements are carefully drawn to maintain reasonable balance. Nevertheless, measured in terms now being taken to develop strong military forces to protect the free-

The normal pattern of world trade first changed by war, was prevented from reestablishing itself with the clanging shut of the Iron Curtain. Unfortunately, the huge rearmament program undertaken by Russia made it desirable to stop certain types of goods immediately helpful to her war effort being sent behind the Iron Curtain. I use the world "unfortunately" not to criticize this action which had to be taken, but to recognize that with the cessation of trade it became possible for the Iron Curtain to stop also the movement of persons and

By and large, throughout the years, sound principles of economics and sound concepts of government have accompanied the movement of goods throughout the world. Ordinarily, when trade stops, the flow of ideas and of persons stops simultaneously. For many years we perhaps did not recognize the importance of this movement of ideas and persons because neither transport nor communications permitted an immediate appreciation of their effect. With the invention of the of the world. When we recognized telegraph and even more of radio and with the development of commercial air transport encircling the world, events anywhere are As we occupied island after immediately important everywhere.

#### Political Importance of Foreign Trade

The maintenance of trade chanops a better knowledge of the world and its people. Today, as the free peoples of the world unite to resist totalitarianism, it becomes of utmost importance that there develop among them a common understanding and a willingness to help each other in threaten freedom. In the areas which appear uncertain in their choice between freedom and com-

tion of the true meaning of free-In peacetime, to prepare for war dom. Wherever there are trade to play. Our foreign policy may we can build up an adequate flow outlets for us and for the free peoples of the world, we will find our representatives and theirs goods in exchange. The more living among the people served nearly in balance we maintain by the outlet, there developing an such trade in normal times, the intelligent knowledge of their less the effort which we will have problems and conveying this knowledge to our people at home. This is the type and kind of intelligence which, accumulated over the years, permits accurate The cold war of today is as appraisal by those responsible for political war. In extending eco- tion of our efforts toward the nomic aid to Europe we have creation of friendship and better economic stability which provides and economic understanding do

Perhaps I have talked too much in generalities. I know that cific study of each and evry one. Certainly, you are all familiar with the generalities which I have stated, and yet they are worth repeating. Fundamentally, a free exchange of goods, ideas, and persons is essential to our concept of a free world. Secondly, it is through trade with foreign countries that we develop the knowtries and between the European ledge and understanding which are essential to sound and friendly other countries and we can be sure of that recourse only through the establishment in normal times of mutually attractive trade re-

> Sound national preparedness means more than the maintenance of large and well equipped fighting forces, as important as such forces are to security. It requires a sound economy not only here but also in those countries which are aligned with us in the cause of freedom. These sound economies can come about only through the development of import programs of sufficient magnitude to balance export programs, remembering that the effect of past wars has been to reduce substantially the investment income America which many of these countries had enjoyed. The relatively high prices of raw material imports which have developed as a result of our rearmament program has simplified the problem for the moment; it has not solved it. Our foreign policy must recognize fully the necessity not only for encouraging foreign trade but also to protect our investments abroad and to encourage foreign investments in America. There cannot be a one-way street either way.

> Immediately after World War II, the foreign trade pattern established during the war broke down. Our demand for raw materials at any price disappeared. Volume and prices both decreased. Economic chaos threatened much the results of this breakdown in 1947, we embarked on the program of financial assistance which is now being complemented by the military assistance program. As emergency programs, they have succeeded in stopping the expansion of communism and the establishment of new totalitarian governments. They have not restored the strength which the free world must have to destroy communism. The success with which the free countries are able to develop a sound pattern for the exchange of goods will govern the time required to restore economic stability in the free world. When that comes about, we will have nothing to fear from communism nor from totalitarianism in any

I am afraid that I can no lonportance to develop this under- point out the fact it seems to me avoided. It was not conducive to creasing production. The estab- standing, and even in the areas each segment of our society must

Certainly you have a major part be sound in purpose but unless it provides wisely for expanding foreign trade, it can never fully accomplish its objectives. It is your effort which will insure wise provisions which will encourage the exchange of goods and which will make these provisions effective. To this end, your efforts will prove worthwhile not only because they will be sound in the business sense but also because they will promote the relationship and understandings which will keep a healthy, viable economy of free nations and thus promote a lasting peace.

## **Justice Department Suit Against Banking** Houses to Open Nov. 28

Trial of the Department of Justice's long-pending anti-trust suit against various investment banking houses and the Investment Bankers Association of America will get under way on Nov. 23. The date was set by Federal Judge Harold R. Medina.

#### A. L. Pennock Smith Joins A. M. Kidder

(Special to THE FINANCIAL CHRONICLE) MIAMI, Fla.-A. L. Pennock Smith has become associated with A. M. Kidder & Co., Alfred I. du Pont Building.

#### With American Securities

(Special to THE FINANCIAL CHRONICLE) CHICAGO, Ill. - Jerome R. Allen, Jr., has been added to the staff of American Securities Corp., 111 West Monroe Street.

#### Join Central Republic

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. - Arthur Bergman, Jr., and John J. Morrissey II have joined the staff of Central Republic Co., 209 South La Salle Street, members of the Midwest Stock Exchange. Mr. Morrissey was formerly with Julien Collins & Co.

#### Cruttenden Co. Adds

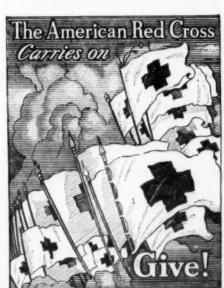
(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.-Melvin C. Mullins is now affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

#### With Glore, Forgan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. - Edward H. Julius has become associated with Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Wm. E. Pollock & Co. and Stifel, Nicolaus & Co.



## Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

	Latest	Previous	Month	Year				uuto.
AMERICAN IRON AND STEEL INSTITUTE: Ladicated steel operations (percent of capacity)Nov. 12	Week	Week 102.4	Ago 101.6	Ago 21.0	BUSINESS INCORPORATIONS (NEW) IN THE	Latest Month	Previous Month	Year Ago
Equivalent to— Steel ingots and castings (net tons)	1,986,600	1,975,000	1,959,600	387,000	UNITED STATES—DUN & BRADSTREET, INC.—Month of September	6.274	*7.201	6.867
AMERICAN PETROLEUM INSTITUTE: Crude oil and condensate output — daily average (bbls. of 42	5 005 550				BUSINESS INVENTORIES, DEPT. OF COM- MERCE NEW SERIES — Month of August			
gallons each) ————————————————————————————————————	5,895,250 f6,051,000 19,878,000	5,902,200 6.078,000 20,299,000	5,903,450 6,051,000 19,624,000	5,075,150 5,509,000 19,002,000	(millions of dollars): Manufacturing	\$29,600	\$29,700	690 700
Kerosene output (bbls.)	2,28r,000 8,259,000	2,276,000 8,283,000	2,471,000 8,460,000	2,209,000 7,016,000	Retail	9 600	9,300 °14,100	\$29,700 9,100 13,900
Stocks at refineries, at bulk terminals, in transit and in pipe lines—  Pinished and unfinished gasoline (bbls.) at————————————————————————————————————	8,449,000 105,062,000	8,690,000 °105,382,000	8,306,000 104,383,000	7,754,000 103,915,000	Total	\$54,100	\$53,200	\$52,700
Kerosene         (bbls.)         at         Oct. 28           Cas, oil, and distillate fuel oil (bbls.)         at         Oct. 28           Residual fuel oil (bbls.)         at         Oct. 28	28,634,000 84,057,000 44,310,000	°23,578,000 °83,193,000 °43,872,000	27.849,000 76,734,000 42,330,000	28,225,000 90,358,000	CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DE-			
ASSOCIATION OF AMERICAN RAILROADS:	11,310,000	45,512,000	42,330,000	69,459,000	PARTMENT OF COMMERCE — Month of August (000's omitted)	\$212.9	\$509.4	\$191.6
Revenue freight loaded (number of cars)Oct. 28 Revenue freight received from connections (number of cars)Oct. 28	887,607 729,422	890,990 726,423	879,985 730,562	591,315 514,495	EDISON ELECTRIC INSTITUTE: Kilowatt-hour sales to ultimate consumers—			
OIVIL ENGINEERING CONSTRUCTION - ENGINEERING NEWS-					Revenue from ultimate customers—month of	23,646,106	22,636,887	20,758.404
RECORD: Total U. S. constructionNov. 2 Private construction Nov. 2	\$199,716,000 89.874,000	\$245,105,000 147,755,000	\$287,974,000 157,407,000	\$169.933,000 102.827,000	August Number of ultimate customers at Aug. 31	\$421,089,900 44,283,690	\$412,436,800 44,087,312	\$382,148,300 42,132,506
Public construction Nov. 2  State and municipal Nov. 2  Federal Nov. 2	109 842,000 86 392,000	97,350,000 80,135,000	130,567,000 84,842,000	67,106,000 57,644,000				
	23,430,000	17,215,000	45,725,000	9,462,000	TION)—Month of September:			
GOAL OUTPUT (U. S. BUREAU OF MINES):  Bituminous coal and lignite (tons)Oct. 28  Pennsylvania anthracite (tons) Oct. 28	11,608,000 1,056,000	11,750,000 984,000	11,495,000 1,037,000	2,707,000 1,181,000	Factory sales of washers (units) Factory sales of ironers (units) Factory sales of dryers (units)	424.043 41.400	381,452 42,700	357,28 <b>1</b> 27,70 <b>0</b>
Beehive coke (tons)Gct. 23	157,400	*154,300	149,900	1,700	LIFE INSURANCE—BENEFIT PAYMENTS TO	31,399	32,318	10,836
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYS- TEM—1935-39 AVERAGE=100Oct. 28	314	°304	320	298	POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of August:			
EDISON ELECTRIC INSTITUTE: Electric output (in 000 kwh.)	6.550.615	6,562,518	6.513.707	5.434.924	Death benefits Matured endowments Disability payments	38,190,000	36,943,000	35,505,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRAD-		-,,	3,313,101	D, 80 1, Da 1	Surrender values	21,050.000	7,462,000 21,183,000 50,442,000	7,912,000 18,739,000 49,893,000
STREET INCNov. 2	181	160	154	196	Policy dividends  Total		44,147,000	43.328.000
IRON AGE COMPOSITE PRICES: Pinished steel (per lb.)Oct. 31	3.837c	3.837c	3.837c	3.705c	MANUFACTURER'S INVENTORIES & SALES	3302,330,000	3211,111,000	\$286,065,000
Pig iron (per gross ton)Oct. 31 Scrap steel (per gross ton)Oct. 31	\$49.36 \$40.67	\$49.36 \$40.67	\$49.19 \$40.67	\$45.8d \$27.08	Month of August (millions of dollars):			
METAL PRICES (E. & M. J. QUOTATIONS):					Inventories: Durable Nondurable	\$13,700	\$13,800	\$14.100
Electrolytic copper—  Domestic refinery at  Export refinery at  Nov. 1	24.200c 24.425c	24.200c 24.425c	22.575c 24.425c	17.325c 17.550c	Total	\$20,600	\$29,700	\$29 700
Straits tin (New York) at         Nov. 1           Lead (Now York) at         Nov. 1           Lead (St. Louis) at         Nov. 1	127.000c 17.000c 16.800c	113.750c 16.000c 15.800c	16.000c 15.800c	13.000c 12.800c	Sales  METAL PRICES (E. & M. J. QUOTATIONS)	22,549	18,506	17,630
Zinc (East St. Louis) atNov 1	17.500c	17.500c	17.500c	9.575c	Average for Month of October: Copper (per bound)—			
MOODY'S BOND PRICES DAILY AVERAGES: U. B. Government Bonds	161.41	101.43	101.64	104.28	Electrolytic domestic refinery Electrolytic export refinery Lead (per pound)—	24.200c 24.425c	22,900c 24,299c	17.325c 17.350c
Average corporate         Nov. 6           Asa         Nov. 6           As         Nov. 6	115.43 119.61 118.60	115.24 119.41 118.40	115.63 119.82 118.80	115.04 120.84 119.20	Common, New York Common, St. Louis	16.040c 15.840c	15.800c 15.600c	13.420c 13.230c
A	114.66 109.06 111.44	114.66 108.38 111.25*	115.04 109.24 111.62	114.46 106.56 109.42	Silver and Sterling Exchange— Silver, New York (per ounce)	75.060c	72.750c	73.250c
Public Utilities Group Nov. 6 Ladustrials Group Nov. 6	115.82 119.00	115.63 119 00	116.22 119.00	116.80 119.41	Silver, London (pence per ounce) Sterling Exchange (Check) Zinc (per pound)—East St. Louis	65.182d \$2.80000 17.500c	63.500d £2.80000	63.887d \$2.79600
MOODY'S BOND YIELD DAILY AVERAGES:					Tin (per pound)— New York Straits	113.420c	17.100c 101.250c	9.32 <b>0</b> c 95.720c
U. S. Government Bonds Nov. 6 Average corporate Nov. 6 Asa Nov. 6	2.39 2.83 2.67	2.39 2.89 2.68	2.28 2.87 2.66	2.19 2.90 2.61	\$\$New York, 99' min. Gold (per ounce U. S. price)	112,420c \$35,000	100.250c \$35.000	94.720c 835.000
Aa       Nov. 6         A       Nov. 6         Baa       Nov. 6	2.72 2.92 3.22	2.73 2.92 3.23	2.71 2.90 3.21	2.69 2.93 3.36	Quicksilver (per flask of 76 pounds) Antimony (per pound) (E. & M. J.) Antimony (per pound), bulk Larede	\$89.520 35.280c	\$84.200 34.300c	\$73.000 36.580c
Railroad GroupNov. 6 Public Utilities GroupNov. 6	3. <b>0</b> 9 2.86	3.10 2.87	3.08 2.84	3.20 2.81	Antimony (per pound), in cases, Laredo Antimony (per pound), Chinese Spot	32.000c 32.500c Nominal	31.020c 31.520c Nominal	33.300c 33.800c Nominal
Iadustrials GroupNov. 6	2.70	2.70	2.70	2.63	Platinum, refined (per ounce)	\$95.200 \$2.40000	\$97.200 \$2.29000	\$63.000 \$2.00000
MOODY'S COMMODITY INDEX	477.5	472.4	463.8	344.6	Cadmium (per pound) Cadmium (per pound) Cobalt, 97%	\$2.52500 \$2.65000 \$1.80000	\$2.39300 \$2.49600 \$1.80000	\$2.07500 \$2.15000 \$1.80000
Orders received (tons) Oct. 28 Production (tons) Oct. 28	221,590 240,123 104	196,950 235,388 101	253,120 236,422 103	193,527 203,785 94	Aluminum, 99% plus, ingot (per pound) Magnesium, ingot (per pound) *Nickel	19.000c 24.500c 48.000c	17.860c 22.580c 48.000c	17.000c 20.500c
Percentage of activity Oct. 28 Unfilled orders (tons) at Oct. 28	694,741	715,451	714,877	400,589	PERSONAL INCOME IN THE UNITED STATES	48.0000	48.0000	40.000c
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100 Nov. 3	138.4	138.2	137.6	125.8	(DEPARTMENT OF COMMERCE)—Month of August (in billions):			
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-					Total personal income  Wage and salary receipts, total  Total employer disbursements	223.4 144.3 147.2	*220.7 *141.7 *144.5	204.3 131.3
LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:  Odd-lot sales by dealers (customers' purchases)—					Commodity producing industries Distributive industries	65.2 41.2	*63.3 *40.9	133.5 56.3 39.4
Number of orders Oct. 21 Number of shares—Customers' total sales Oct. 21 Dollar value Cct. 21	32,848 1,001,253 \$43,015,819	29,404 892,150 \$38,308,776	29,636 884,732	21,612 642,879	Service industries Government Less employee contributors for social	18.8 22.0	*18.7 *21.6	17.3 20.5
Odd-lot purchases by dealers (customers' sales)— Number of orders—Customers' total sales———————————————————————————————————	36.075	31,155	\$42,249,065	\$25,170,205 24,822	insurance Other labor income	2.9 3.4	*2.8 *3.4	2.2
Customers' short sales Oct. 21 Customers' other sales Oct. 21 Number of shares—Customers' total sales Oct. 21	186 35,889	$\frac{226}{30,929}$	265	207	Proprietors' and rented income Personal interest income and dividends Total transfer payments	45.9 17.9 11.9	*45.5 *17.8 *12.3	40.7 16.8 12.6
Customers' short salesOct. 21	1.034.529 $6.711$ $1.027.818$	889,993 8,457 881,536	964,241 10,843 953,398	685,538 7.374 670,184	Total nonagricultural income	205.3	*202.7	157.3
Round-lot sales by dealers— Number of shares—Total salesOct. 21	\$38,463,216	\$34,568,564	\$38,350,289	\$23,325,863	UNITED STATES EXPORTS AND IMPORTS— BUREAU OF CENSUS—Month of August (000s omitted):			
Short sales Oct. 21 Other sales Oct. 21	340,410	309,460	354.040 354.040	243,080	Exports Imports	\$760,700 819,400	\$774,000 708,754	\$883,000 490,787
Number of sharesOct. 21	324.189	278,440	272,110	209,030	UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR-					As of Sept. 30	\$257,235,533 5,504,662	\$257,891,449 5.185,231	\$256.708,917 5,698,836
All commoditiesOct. 31 Parm productsOct. 31	169.4 179.7	163.9 178.7	168.8 179.1	151.5	Net debt	\$251,730,851	\$252,706,218	\$251,010,031
Grains Oct. 31 Livestock Oct. 31 Poods Oct. 31	167.0 223.9	163.6 225.6	179.1 167.4 224.6	156.4 153.4 193.3	ZINC OXIDE (BUREAU OF MINES) - Month	2.1917	2.200%	2.224%
All commodities other than farm and foods	174.0 239.8 161.6	174.0 242.4 *160.8	175.3 246.7	158.3 216.9	of August: Production (short tons)	19,666	17,987	13,428
Fuel and lighting materials Oct. 31  Metals and metal products	163.1 135.5	*162.0 135.5	160.0 161.7 134.9	144.7 137.2 130.2	Stocks at end of month (short tons)	22,662 11,375	19.542 14,571	14,666 18,556
Chemicals and allied products	178.5 219.0 133.2	*178.1 *220.1 *132.3	177.1 222.0 129.9	166.9 133.9	"Revised figure, *Based on the producers' the producers' and platers' quotations, *Based	quotation.	Based on the	average of
. Revised figure. [Includes 476,600 barrels of foreign crude runs,			***************************************	110.0	tons or more but less than carload lot backed in Colburne, N. S., N. S. duty included. STTin con	cases, f.o.b.	New York.	F.O.B. Port

# Observations . . .

value of our money, plus an amount of annual return sufficient to amortize our estimate of the degree and timing of the risks.

Under that kind of calculation a cost price which gives an annual dividend return of 61/2% on the price paid would roughly in 25 years afford complete amortization of the invested capital. That is, after deducting the rental value of his money of 21/2%, it leaves him 4% for annual amortization, which, times the 25-year deduction, will then give the investor his share in the property and working capital written down to nothing. (The tax incidence is discussed below.)

Similarly, a 71/2% instead of 61/2% capitalization of the expected dividend (which we have used with Telephone in the table) will give him his money back in 20 instead of 25 years (a 20-year amortization requiring a 5% annual reserve to be added to the 2½ rental value).

#### The Important Element of the Corporation's Financial Strength

The crux of the amortization process will be how soon the inherent risks become effective; that is, there is a kind of race between the risk and the amortization process. In connection with estimating the degree of risk and the amount of annual amortization that is needed to "win the race" against risk, the fiscal strength of the respective company is a vital determinant. In cases of a high net-quick liquidating figure or general financial strength, the amortization can be longer-running or even incomplete.

In cases of "unclean" balance sheets on the other hand, either we must count on the proportion of the anticipated earnings capitalized as dividends to turn out less than the average, or our amortization for risk must be increased or stepped up as to time.

#### Specific Examples

Now let us demonstrate our business-value technique by some specific examples; taking a stock in each of the categories (1) of medium growth in consumers goods (Montgomery Ward); (2) in the field of cyclically fluctuating earnings dependent on commodity prices (Kennecott Copper); (3) stable income producer (American Telephone); (4) and in relatively little known inactive securities (Manhattan Shirt Co.). We omit from our examples any real growth stock without a high earnings base, because of the present indeterminability of the impending excess profits tax.

#### A Moderate Growth Situation

First inspecting Montgomery Ward, we note as relevant factors that since 1937 its net working capital per share has multiplied three and one-half times, and its sales and profits have trebled. Current growth being negated by the controlling policy of a septuagenarian Chairman, we can consider that it has moderate possibilities for further growth along with its competitors.

Ward's annual earnings from 1937 through 1946 averaged \$4.25 per share. Subsequently the postwar profits have been \$8.86 in 1947, \$10.28 in 1948, \$7.13 in 1949, and may be estimated at \$9 for 1950. As our estimate of average earnings over the coming 25 years, taking all foreseeable factors into consideration, we take a \$7 average as a reasonable expectation.

Scrutiny of the balance sheet reveals cash alone considerably in excess of all liabilities, with a net-quick-liquidating value of \$70 per share.

423 ,666

556

In view of this extraordinarily strong balance sheet, we would consider an annual average dividend of \$4 as a reasonable proportion of the \$7 earnings, and would let the amortization run for as long as 25 years.

Then we would calculate that the riskless rental value of our capital will consume 21/2% of our capital investment annually, and an additional 4% will approximately amortize our entire investment over a period of 25 years, giving us at the end of the term our interest in the property, plus the undistributed future earnings, at no cost.

So, keeping our attention from the stock exchange quotation of the day, we would capitalize our expected average return of \$4. This would give us 62 as the fair valuation for Montgomery Ward.

#### A "Margin of Safety"

As a prospective buyer, we would take an additional precautionary step supplementing this appraisal. Realizing the many imponderables in management quality, accounting practices, good will, industry future, and the like, we will give ourselves a margin of safety by making an arbitrary subtraction from the appraisal figure arrived at as above.

The exact size of this safety-margin to be the prerequisite of a purchase would be influenced by factors, such as the condiour over-all portfolio both as to the aggregate amount of common stocks therein at the moment or of the particular industry in which the prospective security is included; and even possibly (although not importantly) on rare occasions by the general speculative situation.

In the case of Montgomery Ward, this "safety" deduction at 10% gives us 56 as the advantageous buying price.

#### An Alternate Interpretation

The prospective buyer can look at this method of appraisal from a different angle. Alternatively, he can consider that with a  $6\frac{1}{2}\%$  dividend yield, together with a strong asset position and other favorable conditions, he will be getting a fair rental value for his money plus an indeterminable return (my major emphasis being on actual return) ranging somewhere around the remaining 4% -perhaps less, or perhaps more in case of windfall prosperity for the company. What he will finally get in addition to the rental return will chiefly depend on the actual realization of the inherent risks for which the amortization provisions have been made.

#### A Commodity Stock With a "Dream" Balance Sheet

Calculations for the other three stocks are contained in the foregoing table. In considering an investment in a petroleum, or a copper company as Kennecott, as an important base we would average the past earnings through boom-and-bust periods. In the 1936-'46 era they ranged between \$2.16 and \$4.60. While because

of secular inflation, these earnings are on the low side, on the other hand, the recent postwar profits ranging up to \$8.50 per share seem to be on the above-average side. Hence our longterm forecast of an earnings average of \$5.50 per share, with a dividend of \$4.

In Kennecott we also have a "dream" balance sheet, with cash of \$194 million, no preferred nor debt, and total current

liabilities of only \$37 million.

#### A Heavily Capitalized Utility

In the case of American Telephone, we must look at past and the likely future earnings, and the heavy capital structure, along with the liberal dividend policy. Because of the heavy indebtedness, absence of liquidating value, and imponderables about the industry's future, we amortize ourselves out in 20 instead of 25 years.

Althought our appraisal price of 113 and buying price of 102 might be termed somewhat "unrealistic" in terms of the market, we would stick to our guns, and rest on the conclusion from our

#### A "Red Chip"

Manhattan Shirt, one of the large number of inactively traded listed equities, exemplifies companies having big capitalization and net-quick liquidating value (\$35 per share) in relation to demonstrated earning power (estimated at \$3 per share by us); and also of cyclical earners dependent on the course of inventory value.

In view of this company's net asset value of \$35 being far in excess of its apparent value of \$23 as calculated in the foregoing table, of the potentiality of an eventual "windfall" resulting from such a situation, of its lowly estimated proportion of dividend disbursement (because of its traditional past policy), and its existence since 1950; we deem it unnecessary to make a deduction for a margin of safety (excepting possibly for those individuals in a very high income tax bracket).

#### The Tax Incidence

The incidence of the individual's income tax on the dividends he receives must be recognized as an indeterminable variable in our technique of calculation. But there are two important offsets mitigating error on this account. As "gravy," the investor has the use and income of the annual amortizations during their life; and, more importantly, he can adjust the amount of the margin-ofsafety deduction to conform to his own particular tax bracket.

#### The Inescapable Forecasting Imponderables

Of course there are uncertainties involved in our method, including some inescapable forecasting assumptions, as of future earnings which are to serve as the reservoir of the dividend disbursements, the future of the industry of which the company is a part, the management's continuing ability and integrity, and even about external factors as the future of the riskless interest rate. But as offsets again: -- our margin-of-safety takes care of imponderables; and in contrast to attempts at functioning by buying or selling the market as a whole, we do not have to act at all when we do not discern an advantageous buying opportunity. In a value approach the remaining risks are incidental to logical investment effort, and moreover, according to our deep conviction, less than are inherent in the process of predicting changes in price.

#### Our Overall Portfolio Policy

Finally, we want to state our overall setting in which this value-appraisal methodolgy is to be practised. It is intended as only part of investing policy. It should be used against the background of liberal diversification of one's entire portfolio between equities and fixed interest securities, in the following way:

Primarily, we would continually inspect inidividual issues according to our evaluation technique, both those which we do and do not already own. We would at all times buy undervalued issues, under the sole proviso that their total should be limited by a predetermined maximum limitation on our entire portfolio's proportion of equity share holdings (say from 50-70%). Similarly, in dealing with appraised over-valuations, we would sell off such issues, but under the proviso that the total of our portfolio's share holdings should never decline below a predetermined minimum (say 20-40%).

The overall aim is to insure continuing proper diversification but not in blind subservience to formula-timing schedules. In other words the formula is distinctly secondary to the value criteria.

## Our Reporter's Report

The underwriting fraternity finds itself facing a recurrence of the situation which developed, some time back, into a tug of war between themselves and institutional investors over yields on new securities.

The matter came to a head with the offering of Niagara Mohawk Power Co.'s \$40,000,000 of general mortgage bonds a week ago and the cool reception which this undertaking encountered.

The situation may change in ideas. favor of the bankers and the borrowers as the recently invoked restrictions on new building credits make themselves felt more fully, but for the present reports indi-

cate that institutions are still decidedly interested in yield and that a few basic points can be the difference between a quick and a slow deal.

Moreover, there is evidence that these potential buyers are willing to forego a slight measure of corporate reputation or "rating" in order to secure the better return. Niagara Mohawk bonds came out on a 2.82 % yield basis and are still largely unsold. And talk is that perhaps on a 2.85 or 2.86% basis they would have moved.

But prospective buyers, it is pointed out, still are able to obtain goodly amounts of mortgages yielding 4.5% or thereabouts, and accordingly, can afford to be a bit choosy

The investment world will be watching next week's bidding for several issues quite closely to ascertain what, if any effect, this operation has had on bidders'

#### Michigan Consolidated Gas

Next Tuesday will bring Michigan Consolidated Gas Co.'s \$20,-000,000 of new first mortgage ≡

bonds, due in 25 years up for bids. Company officials and prospective bidders were slated to get together today for discussion of the final details.

Except for Commonwealth of Massachusetts' \$75,000,000 for which bids are slated to be opened on Monday, the Michigan Gas deal will be the week's largest undertaking.

There is a disposition in investment banking and dealer circles to expect that bidders will be a little on the cautious side in going after this one with an eye on paving the way for a successive operation.

#### Two Smaller Issues Due

Two smaller utility issues are up for bids next week, with Atlantic City Electric Co. scheduled to open bids on Monday for \$18,-400,000 of first mortgage series A 2 1/8 % bonds due 1980.

Indications are that at least four groups will be bidding for this one which should make for a fair

degree of keenness.

On Tuesday Leuisiana Power & Light Co. will open bids for its offering of \$10,000,000 of new 30year first mortgage bonds. At least five bids are indicated here. This company last spring, rejected bids received for 90,000 shares of \$100 par preferred stock.

#### Negotiated Deal Possible

There is a possibility that one of those infrequent negotiated deals for a utility company may reach market the middle of next week. Naturally much will depend on the behavior of the markets in the interval.

But this company has projected an issue of 21,000 shares of new \$5.50 cumulative preferred stock for marketing along about next Wednesday priced at not more than \$100 a share.

Sponsoring bankers doubtless will be guided by market conditions generally in bringing out this offering. Proceeds will be used to retire loans obtained for the purpose of financing new construction.

#### With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE) MINNEAPOLIS, Minn. - John C. Bahr has joined the staff of Minneapolis Associates, Inc., Rand Tower.

#### With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. - Walton F. Barron and Percy B. Willits are with Waddell & Reed, Inc., 1012 Baltimore Avenue.

#### Joins Gill Assoc.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio-Don C. Souder is with Gill Associates, Inc. Gardner Building.



# Securities Now in Registration

. INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Aberdeen Petroleum Corp., Okla.

Oct. 26 (letter of notification) 30,000 shares of capital stock (par \$1). Price-\$3.871/2 per share. Underwriter-Bonner & Bonner, Inc., New York. Proceeds-For work-

Aeronca Mfg. Corp., Middletown, Ohio

Oct. 2 (letter of notification) \$50,000 of 4% convertible promissory notes and 50,000 shares of common stock (latter to be reserved for conversion of notes on basis of 1 share for each \$1 unit of notes). Price-\$2.121/2 per \$1 unit of notes. Underwriter-Greene & Ladd, Dayton, O. Proceeds-For working capital. Office-Municipal Airport, Middletown, O.

Alhambra Gold Mines Corp., Hollywood, Calif. Nov. 1 filed 80,000 shares of common stock. Price-At par (\$1 per share). Underwriter-None. Proceeds-For further development of mine and for working capital.

American Cladmetals Co., Carnegie, Pa.

Oct. 19 (letter of notification) 62,000 shares of common stock (par \$1). Price-At market (about \$1.121/2 per share). Underwriter—Hemphill, Noyes, Graham, Parsons & Co., New York. Proceeds—To Charles R. Anthony, Chairman of the Board, who is the selling stockholder.

American-Marietta Co. (11/13)

Oct. 23 filed 150,000 shares of common stock (par \$2), of which 100,000 shares will be for the account of the company and 50,000 shares for the account of Grover Hermann, President of the company. Price-To be supplied by amendment. Underwriters-H. M. Byllesby & Co., Inc. and A. C. Allyn & Co., Inc. Proceeds-To be added to general funds and used to replace the funds used in October, 1950 to purchase Master Builders Co. capital stock.

American Security Co. of Bedford (Ind.)

Oct. 30 (letter of notification) \$200,000 of 5% sinking fund debentures, 1950 series. Price-At principal amount, in denominations of \$500 and \$1,000 each. Underwriter-City Securities Corp., Indianapolis, Ind. Proceeds-To pay short term notes and for working capital.

Arkansas Power & Light Co.

May 23 filed 155,000 shares of cumulative preferred stock (par \$100). Proceeds—To be applied to (a) redemption at \$110 per share plus dividend accruals, of all the 47,609 shares of outstanding \$7 preferred and 45,891 sares of outstanding \$6 preferred; and (b) the carrying forward of the company's construction program. Bids—Received by company up to noon (EDT) on June 19, but rejected. Only one bid was made of \$100.003 per share, with a \$4.95 dividend from Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Statement effective June 12. No further decision reached.

• Arwood Precision Casting Corp. (11/15) Nov. 3 (letter of notification) 1,320 shares of common

stock (no par) to be first offered to stockholders of record Nov. 15 on basis of one share for each 6.6 shares held; rights to expire Nov. 24. Price—\$40 per share. Underwriter—None. Proceeds—For working capital. Office-70 Washington St., Brooklyn 1, N. Y.

Atlantic City Electric Co. (11/13)

Oct. 13 filed \$18,400,000 of 21/8 % first mtge. bonds, ser. A, due 1980. Underwriters-To be determined by competitive bidding. Probable bidders: Halsey, Stuart Co. Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Harriman Ripley & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc.; The First Boston Corp. Proceeds—To redeem a like amount of 31/4% first mortgage bonds due in 1964. **Bids**—To be received up to 11 a.m. (EST) on Nov. 13 at the office of Simpson, Thacher & Bartlett, 120 Broadway, New York 5, N. Y.

· A-W Loan Co., Panama City, Fla.

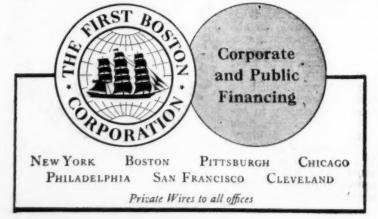
Oct. 27 (letter of notification) 2,500 shares of preferred profit-sharing redeemable stock certificates. Price-\$20 per share. Underwriter - None. Proceeds-To expand small loan business. Office—230 Harrison Ave., Panama

Big West Oil & Gas Co., Dallas, Tex.

Sept 5 filed \$1,760,000 of 5% sinking fund debentures due 1965 (convertible into common stock on basis of 200 shares for each \$1,000 of debentures). Price—To be filed Chicago, Ill. Proceeds - For drilling and development expenses and for working capital.

Birmingham (Ala.) Fire Insurance Co.

Oct. 17 (letter of notification) 10,000 shares of common stock to be offered to present common stockholders. Price-At par (\$10 per share). Underwriter-None. Pro-



ceeds-To enlarge insurance business. Office-221 No. 21st St., Birmingham, Ala.

Carolina Casualty Insurance Co. (N. C.) Oct. 2 (letter of notification) 50,000 shares of class B (non-voting) common stock (par \$1) to be offered to stockholders on basis of one share for each five shares held on Nov. 1; rights expire on Dec. 14. Price-\$2 per share. Underwriter-None. Proceeds-To increase capi-

tal stock and surplus.

Carolina Telephone & Telegraph Co. (11/22) Oct. 26 filed 20,825 shares of common stock to be offered to stockholders of record Nov. 22 on basis of one new share for each five shares held; rights to expire on Dec. 12. Price—At par (\$100 per share). Underwriter— None. Proceeds-To repay bank loans the proceeds of which were used for construction program.

Central Power & Light Co. (11/28)

Oct. 23 filed \$10,000,000 of first mortgage bonds, series C, due Nov. 1, 1980. Underwriters-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; Union Securities Corp.; The First Boston Corp.; Blyth & Co., Inc., Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). Proceeds—To repay \$750,000 of bank loans and to reimburse the company in part for capital expenditures.

Citizens Casualty Co. of New York

Oct. 19 (letter of notification) 4,000 shares of \$1.25 prior preferred stock, to be offered to all stockholders of record Oct. 23 on basis of one for each seven preferred shares held, one for each 10 shares of prior preferred stock held and one for each 70 shares of common shares held; rights to expire on Nov. 15, 1950. Price—At par, \$25 per share. Underwriters-Mohawk Valley Investing Co., Utica, N. Y., and Security and Bond Co., Lexington, Ky. Proceeds—For general corporate purposes

Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.

Sept. 28 filed 500,000 shares of common stock to be sold to cooperative members. Price—At par (\$5 per share). Underwriter-None. Proceeds-To reduce obligation to Cooperative G.L.F. Holding Corp. Business-Farm co-

Cooperative G. L. F. Holding Corp.

Sept. 28 filed 25,000 shares of 4% cumulative preferred stock to be sold to patrons of Grand League Federation Exchange. Price-At par (\$100 per share). Underwriter —None. Proceeds—To reduce bank debt. Business— Property holding and financing instrumentality for G.L.F. Exchange, farm cooperative.

Cribben & Sexton Co., Chicago, III.

Oct. 2 (letter of notification) 1,000 shares of common stock (par \$5). Price—\$4.50 per share. Underwriters—David A. Noyes & Co. and Swift, Henke & Co., Chicago, Proceeds-To Robert C. Caldwell, a director, the selling stockholder.

Culver Corp., Chicago, III.

Oct. 23 filed 132,182 shares of common stock (par \$5), of which 4,818 shares are to be offered to stockholders and 127,364 shares to public. Price - To stockholders at \$5 per share and to public at \$6.25 per share. Underwriter-None. Proceeds-For investments.

Davidson Bros., Inc., Highland Park, Mich. Oct. 30 filed 300,000 shares of common stock (par \$1) of which 100,000 shares are to be offered to employees and 200,000 shares to the public. Price-To be supplied by amendment. Underwriter - Baker, Simonds & Co., Detroit, Mich. Proceeds-To finance expansion program.

Davison Chemical Corp. (11/28)

Nov. 7 filed 128,533 shares of common stock (par \$1) to be offered to common stockholders of record about Nov. 28 at the rate of one share for each four shares held; rights to expire Dec. 12. Price—To be supplied by amendment. Underwriters-Alex. Brown & Sons of Baltimore, Md., and Kidder, Peabody & Co., New York. Proceeds-For expansion and improvement program.

Drayer-Hanson, Inc., Los Angeles, Calif.

Oct. 3 (letter of notification) 255,033 shares of common stock offered to stockholders on a pro rata basis; rights expire Dec. 15, 1950. Price—At par (40 cents per share). Underwriter-None. Proceeds-To pay creditors' claims and for working capital. Address-P. O. Box 2215, Los Angeles, Calif.

Duggan's Distillers Products Corp. Oct. 27 (letter of notification) 340,000 shares of common stock (par 10c). Price-75 cents per share. Underwriter-Olds & Co., Jersey City, N. J. Proceeds-To pay

balance of purchase price for building (\$20,000) and for working capital.

Duval's Consensus, Inc. Oct. 24 (letter of notification) 199,780 shares of class A common 5% cumulative non-voting stock, of which 75,960 shares will be reserved for conversion of 15,192 shares of preferred stock on a 5-for-1 basis. Price-At par (\$1 per share). Underwriter-None. Proceeds-To purchase new equipment and for working capital. Office -41-45 Crescent St., Long Island City 1, N. Y.

Eastern Air Lines, Inc., New York

Nov. 1 filed 100,000 shares of common stock (par \$1), to be offered to employees, excluding officers and directors. Price—At 85% of the highest sale price of the corporation's stock on Nov. 10, adjusted to the next highest multiple of 25 cents. Underwriter-None. Proceeds —To increase working capital.

• Eaton Metal Products Co., Denver, Colo. Oct. 27 (letter of notification) 160 shares of common stock (par \$100). Price-\$300 per share. Underwriter-Peters, Writer & Christensen, Inc., Denver, Colo. Proceeds-To John Raymond Travis, a director, who is the selling stockholder.

Ekco Products Co., Chicago, III.

Oct. 12 (letter of notification) 8,461 shares of common stock (par \$2.50). Price—\$13 per share. Underwriter— None. Proceeds—For working capital. Office—1949 No. Cicero Ave., Chicago, Ill.

Exeter & Hampton Electric Co., Exeter, N. H. Oct. 23 (letter of notification) 8,125 shares of common stock (par \$20) offered to common stockholders at rate of one share for each three shares held Oct. 30, with an oversubscription privilege; rights are to expire on Nov. 20. Price-\$34 per share. Underwriter-None. Proceeds-To repay notes.

Fedders-Quigan Corp.

June 21 filed 103,402 shares of series A cumulative convertible preferred stock (par \$50) to be offered to common stockholders on basis of one preferred share for each 12 shares held. Price-To be filed by amendment, along with dividend rate. Underwriter-Smith, Barney & Co., New York. Proceeds-To pay promissory note, to complete purchase of a new plant at El Monte, Calif., and for additional working capital. Statement may be withdrawn. It was reported on Oct. 5 that company has completed purchase of El Monte plant.

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Flagstaff Associates, Inc., Flagstaff, Ariz.

Oct. 30 (letter of notification) 2,000 shares of common stock and \$10,000 of oil and gas leases and royalties at "over-all cost not to exceed 20%." **Price**—Of stock, par (\$10 per share). Underwriter-None. Proceeds-To drill

Florida Telephone Co., Ocala, Fla. (11 15)

Oct. 27 (letter of notification) 27,200 shares of common stock (par \$10), to be offered first to common stockholders of record about Nov. 15; rights to expire Dec. 3. Price—To stockholders, at par, and to public, at \$11 per share. Underwriters-Shaver and Cook and Florida Securities Corp., St. Petersburg, Fla. Proceeds-For expansion program.

Garrett Corp., Los Angeles, Calif. (11 20)

Oct. 31 filed 60,000 shares of common stock (par \$2). Price—To be filed by amendment (estimated at not more than \$25 per share). Underwriter-Merrill Lynch, Pierce, Fenner & Beane, New York. Proceeds - To two selling stockholders.

Government Employees Corp., Washington, D.C. Sept. 26 filed 30,000 shares of capital stock (par \$5), to be offered to stockholders of record Oct. 31 on the basis of one share for each share held; rights to expire Nov. 20. Price—\$10 per share. Underwriter—None. Proceeds—For additional capital funds. Business — Automobile financing. Statement effective Oct. 27.

Greenwich Gas Co., Greenwich, Conn. Sept. 1 (letter of notification) 8,000 shares of \$1.50 preferred stock (no par) and 9,777 shares of common stock (no par), to be offered first to stockholders. Price—Of preferred, \$25 per share, and common \$10 per share. Underwriter—F. L. Putnam & Co., Boston, Mass. Proceeds—To retire bank loan and for working capital.

Gulf Power Co. (11/14)

Oct. 13 filed 51,026 shares of preferred stock (par \$100), of which 11,026 shares are to be offered in exchange, share for share, for outstanding \$6 preferred stock; the remaining 40,000 shares to be offered publicly. Underwriter-To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Lehman Brothers; Harriman Ripley & Co., Inc. Proceeds-To redeem \$6 preferred stock, to repay bank loans and for new construction. Exchange Offer-Tentatively scheduled to be made Nov. 14; to expire Nov. 27. Bids-Expected to be opened at 11 a.m. (EST) on Nov. 14 at Suite 2000, 20 Pine St., New York, N. Y. Statement effective Nov. 1.

Gulf States Utilities Co. (11/21)

Oct. 17 filed 70,000 shares of preferred stock (par \$100). Underwriters—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Union Securities Corp.; First Boston Corp.: Blyth & Co., Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly). Proceeds-For construction program. Bids-To be received up to 11 a.m. (EST) on Nov. 21 at The Chase National Bank of the City of New York, Room 735, 11 Broad St., New York, N. Y. Stockholders to vote on approving issue on Nov. 20.

Hamilton Fire Insurance Co., Philadelphia Oct. 2 (letter of notification) 64,000 shares of capital stock (par \$5). Price-\$4.50 per share. Underwriter-Jenks, Kirkland & Co., Philadelphia, Pa. Proceeds-To increase capital and surplus in order to offer additional lines of insurance, including automobile casualty and liability coverage. Financing may be abandoned.

Hooper Telephone Co., Hooper, Neb. Aug. 18 (letter of notification) \$30,000 of 334% bonds due 1970. Price—In excess of 102%. Underwriter— Wachob Bender Corp., Omaha, Neb. Proceeds-To retire

## Horseshoe Basin Mining & Development Co.,

Oct. 30 (letter of notification) 25,000 shares of common stock. Price-60 cents per share. Underwriter - None. Proceeds-For working capital. Office-245 Fourth St. Bldg., Bremerton, Wash.

Hub Loan Co., Jersey City, N. J. Sept. 18 (letter of notification) 100,000 shares of 18 cents cumulative convertible preferred stock (par \$2). Price-\$3 per share. Proceeds—For working capital.

Illinois Commercial Telephone Co. (11/15)

Oct. 27 filed 21,000 shares of \$5.50 cumulative preferred stock (no par). Price-At not more than \$100 per share (to be supplied by amendment). Underwriters — Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Tully & Co. Proceeds - To retire loans incurred in connection with new construction.

Kansas Gas & Electric Co. (11/20)

Oct. 10 filed 75,000 shares of common stock (no par) and 45,000 shares of cumulative preferred stock (par \$100). Probable bidders: (1) for both issues: Blyth & Co., Inc. Underwriters—To be determined by competitive bidding. and First Boston Corp. (jointly); Union Securities Corp.; Merrill Lynch, Pierce, Fenner and Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers; (2) on common stock only: Glore, Forgan & Co..; (3) on preferred stock only: White, Weld & Co. and Shields & Co. (jointly); Halsey, Stuart & Co. Inc. Proceeds-To pay construction costs, amounting to about \$19,500,000 through 1952. Bids-To be received at Room 2033, Two Rector St., New York 6, N. Y., on Nov. 20 up to 10:30 a.m. (EST) for the common and up to noon (EST) for the preferred stock.

Kaye-Halbert Corp., Culver City, Calif.

Oct. 6 by amendment filed 120,000 shares of class A convertible common stock (par \$1). Price—\$5 per share. Underwriter-Sills, Fairman & Harris, Inc., Chicago, Ill. Proceeds-To pay off promissory notes and for working capital.

Lancaster Chemical Corp.

Oct. 23 (letter of notification) 100,000 shares of 6% (cumulative, if earned) convertible preferred stock, being offered to common stockholders of record Oct. 18 on a pro rata basis; rights expire Nov. 30. Price-At par (\$2.50 per share), payable in cash or at rate of one common share (par \$1) plus 50 cents in cash. Underwriter— None. Proceeds-For working capital. Office-620 Fifth Ave., New York 20, N. Y.

Lockheed Aircraft Corp., Burbank, Calif.

Nov. 6 filed 33,875 shares of capital stock (par \$1) to be offered officers and employees who have been issued stock options. Price-\$22 per share. Underwriter-None. Proceeds—For general corporate purposes.

Lorain Telephone Co.

Oct. 5 (letter of notification) 2,830 shares of common stock (no par) offered to common stockholders of record Oct. 7 on a pro rata basis; rights expire Dec. 15. Price-\$20 per share. Underwriter—None. Proceeds—For working capital. Office-203 9th St., Lorain, Ohio.

Louisiana Power & Light Co.

May 23 filed 90,000 shares of preferred stock (par \$100). **Proceeds**—To be used to redeem, at \$110 per share plus dividend accruals, the 59,422 shares of outstanding \$6 preferred stock, and for construction and other purposes. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Three bids were made as follows: Union Securities Corp., \$100.40 per share with a \$4.65 dividend: Blyth & Co., Inc., and Equitable Securities Corp. (jointly), \$100.10 with a \$4.65 dividend; and W. C. Langley & Co. and First Boston Corp. (jointly), \$100.30 with a \$5.80 dividend. Statement effective June 12, but withdrawn Nov. 2.

Louisiana Power & Light Co. (11/14)

Oct. 10 filed \$10,000,000 of first mortgage bonds, due Nov. 1, 1980. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); Blyth & Co., Inc.; Harriman, Ripley & Co. Inc.: Shields & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp. Proceeds—For construction program. Bids-To be received up to noon (EST) on Nov. 14 at Room 2033, Two Rector St., New York, N. Y. Statement effective Nov. 2.

McCoy-Couch Furniture Mfg. Co., Benton, Ark. Oct. 16 (letter of notification) 12,000 shares of common stock. Price—At par (\$25 per share). Underwriter— None. Proceeds — To repay RFC loan and to increase working capital. Address—P. O. Box 312, Benton, Ark.

McDonnell Aircraft Corp., St. Louis, Mo.

Oct. 23 (amendment) 80,000 shares of common stock (par \$5). Price—At market (estimated at \$17.25 per share) to be offered over-the-counter. Underwriter-Brokers and/ or dealers may be underwriters. Proceeds—To five selling stockholders. Statement effective Nov. 1.

Mascot Mines, Inc., Kellogg, Ida.

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Oct. 27 (letter of notification) 400,000 shares of capital stock. Price-371/2 cents per share. Underwriter-Standard Securities Corp., Spokane, Wash. Proceeds-To purchase controlling interest in Pine Creek Lead-Zinc Mining Co., for development costs and working capital.

Mercantile Acceptance Corp. of California Oct. 5 (letter of notification) 1.395 shares of first preferred stock, 5% series. Price—At par (\$20 per share). Underwriter-Guardian Securities Corp. of San Francisco. Proceeds-For corporate purposes. Office-333 Montgomery Street, San Francisco, Calif.

## **NEW ISSUE CALENDAR**

November 9, 1950

New York Central RR, noon (EST) Equip. Tr. Ctfs.

November 13, 1950

American-Marietta Co. Atlantic City Electric Co., 11 a.m. (EST)\_\_\_Bonds Safeway Stores, Inc.\_\_\_\_Preferred

November 14, 1950

Gulf Power Co., 11 a.m. (EST) Louisiana Power & Light Co., noon (EST)\_Bonds Michigan Consolidated Gas Co., 11 a.m. (EST)\_Bds. Penton Publishing Co.\_\_\_\_Class A

November 15, 1950

Arwood Precision Casting Corp.\_\_\_\_Common Florida Telephone Co.\_\_\_\_Common Illinois Commercial Telephone Co.\_\_\_\_Preferred Rohr Aircraft Corp.\_\_\_\_Common Western Pacific RR. Co.\_\_\_\_Bonds Wisconsin Public Service Corp., 10.30 a.m. (CST)\_\_\_\_\_

November 17, 1950

Norris Stamping & Mfg. Co.\_\_\_\_Common

November 20, 1950

Garrett Corp. . Kansas Gas & Electric Co., 10:30 a.m. (EST)\_Com. Kansas Gas & Electric Co., noon (EST)\_\_Preferred Southern Production Co., Inc.\_\_\_\_Common

November 21, 1950

Gulf States Utilities Co., 11 a.m. (EST)\_\_Preferred Hawaii (Territory of) \_\_\_\_\_Bonds

November 22, 1950

Carolina Telephone & Telegraph Co.\_\_\_\_Common

November 28, 1950

Central Power & Light Co.\_\_\_\_Bonds Davison Chemical Corp.\_\_\_\_Common Tide Water Power Co.\_\_\_\_Preferred

November 29, 1950 Federal Water & Gas Corp.....

Common

Missouri-Kansas-Texas RR.\_\_\_\_Equip. Trust Ctfs.

November 30, 1950

American Investment Co. of Illinois\_\_\_\_Common

December 4, 1950

Minnesota Power & Light Co., noon (EST)\_\_Com. Southwestern Gas & Electric Co.\_\_\_\_Bonds

December 11, 1950

Carolina Power & Light Co.\_\_\_\_Bonds

December 12, 1950

Metropolitan Edison Co.\_\_\_\_Bonds & Preferred

Metropolitan Edison Co. (12/12)

Nov. 7 filed \$5,250,000 of first mortgage bonds due Dec. 1, 1980, and 20,000 shares of cumulative preferred stock (par \$100). Underwriters-To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; First Boston Corp.; Carl M. Loeb, Rhoades & Co.; Drexel & Co.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; White, Weld & Co.; Harriman Ripley & Co. and Union Securities Corp. (jointly); Lehman Brothers. (2) For preferred: Drexel & Co.; Smith Barney & Co. and Goldman, Sachs & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). Proceeds-From the sale of the aforementioned securities and from the sale to General Public Utilities Corp. of 24,220 common shares will be used as follows: \$1,247,500 to retire York Haven Water & Power Co. 50-year 5% gold bonds due June 1, 1951, and for construction program.

Michigan Consolidated Gas Co. (11/14) Oct. 16 filed \$20,000,000 first mortgage bonds due Nov. 1, 1975. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.; Union Securities Corp. Proceeds—From sale of bonds together with \$6,000,036 to be received from sale of 428,574 shares of common stock to American Natural Gas Co., the parent, to be used to retire \$15,-000,000 bank borrowings and to finance, in part, the company's extensive construction program. Bids—To be received up to 11 a.m. (EST) on Nov. 14 at office of company, 415 Clifford Street, Detroit, Mich. Statement effective Nov. 7.

Middle South Utilities, Inc.

June 1 filed 400,000 shares of common stock (no par) to be offered to preferred stockholders of three subsidiaries -Arkansas Power & Light Co., Louisiana Power & Light Co. and Mississippi Power & Light Co. Underwriter-Equitable Securities Corp will serve as "dealer-manager." Statement withdrawn on Oct. 27.

Middlesex Water Co., Newark, N. J. Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders at \$50 per share on a one-for-five basis. Underwriter—Clark, Dodge & Co. Proceeds-To pay notes and for additional working capital. Indefinitely postponed.

Minnesota Power & Light Co. (12/4)

Oct. 30 filed 150,000 shares of common stock (no par). Underwriters—To be determined by competitive bidding. Probable bidders: First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co.; Lehman Brothers. Proceeds for construction program. Bids-Expected to be received up to noon (EST) on Dec. 4.

Mission Appliance Corp., Hawthorne, Calif. July 24 filed 50,000 shares of 6% cumulative convertible preferred stock. Price-At par (\$20 per share). Underwriter—Lester & Co., Los Angeles, Calif. Proceeds—To retire bank loans and install machinery and equipment in a proposed new plant to be located east of the Rocky Mountains. Business-Manufacturer of gas and electric water and space heaters.

Mississippi Power & Light Co. May 23 filed 85,000 shares of cumulative preferred stock (par 100). Proceeds-To be used to redeem at \$110 per share plus dividends, the outstanding 44,476 shares of \$6 preferred stock and for construction and other corporate purposes. Bids—Received by company up to noon (EDT) on June 19 but rejected. Four bids were made as follows: Union Securities Corp., \$100.10 per share with a \$4.80 dividend; Lehman Brothers, \$100.551 with a \$4.85 div.; W. C. Langley & Co. and First Boston Corp. (jointly), \$100.30 with a \$4.90 dividend; and Blyth & Co., Inc., Equitable Securities Corp., Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly), \$100.19

further decision reached.

Montana Power Co. Sept. 25 filed \$10,000,000 of 25-year sinking fund debentures due Oct. 1, 1975. Underwriters-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and Smith, Barney & Co. (jointly); White, Weld & Co.; Lehman Brothers. Proceeds-To repay bank loans and for expansion and extension of gas and electric properties. Offering-Originally scheduled for Oct. 31 has been postponed for at least six to nine months. Temporary bank borrowings will be arranged.

with a \$4.90 dividend. Statement effective June 12. No

Morris Plan of America, New York

Sept. 21 filed 389,449 shares of common stock (par 10¢), offered to common stockholders of record Oct. 19 at rate of one share for each four shares held, with an oversubscription privilege; rights expire on Nov. 14. Price-\$5 per share. Underwriter-None. Proceeds-To invest proceeds in its wholly-owned subsidiary, National Industrial Credit Corp., which will use the funds to discharge an indebtedness to American General Corp. Statement effective Oct. 16.

N. & W. Industries, Inc., Lynchburg, Va.

Oct. 30 filed 32,000 shares of 5% cumulative preferred stock (par \$25) and 144,000 shares of common stock (par \$1) to be offered in units of one share of preferred and 41/2 shares of common stock, in multiples of two, the latter for account of selling stockholders. Price-To be supplied by amendment. Underwriter-Scott, Horner & Mason, Inc., Lynchburg, Va. Proceeds-For construction of new building and for working capital. Business-Manufacturer of overalls.

Nachman Corp., Chicago, III.

Oct. 25 (letter of notification) 6,000 shares of common stock (par \$10). Price—\$15 per share. Underwriter— Bacon, Whipple & Co., Chicago, Ill. Proceeds-To Mitchell, Hutchins & Co., Inc., the selling stockholder.

Nash-Finch Co., Minneapolis, Minn. Sept. 11 (letter of notification) 3,000 shares of common stock. Price-From \$17 to \$20 per share. Underwriter-J. M. Dain & Co., Minneapolis, Minn. Proceeds-To Finch Investment Co.

New Jersey Realty Title Insurance Co. Oct. 12 (letter of notification) 125,000 shares of capital stock (par \$1) to be offered to stockholders of record Oct. 2, 1950, on basis of one share for each two shares held; rights expire Nov. 15. Price-\$2 per share. Underwriter-None. Proceeds-To be added to capital funds of company and invested in investments. Office-830

Niagara Duplicator Co.

Broad St., Newark, N. J.

Oct. 31 (letter of notification) 3,000 shares of common stock. Price—At par (\$100 per share). Underwriter—None. Proceeds — To operate manufacturing business. Office-2000 Russ Bldg., San Francisco, Calif.

Norris Stamping & Mfg. Co. (11/17)

Oct. 24 filed 190,000 shares of common stock (par \$1). Price-\$12 per share. Underwriters-William R. Staats Co., Los Angeles, Calif., and A. C. Allyn & Co., Inc., Chicago, Ill. Proceeds-To Kenneth R. Norris, President, the selling stockholder.

Oil Holding, Inc., Los Angeles, Calif.

Oct. 31 (letter of notification) 794 shares of common stock. Price-At par (\$100 per share). Underwriter-None. Proceeds-To pay rentals, recording fees and abstract fees. Office - 2722 W. 54th St., Los Angeles 43,

Penner Oil & Gas, Inc., Nowata, Okla.

Oct. 31 (letter of notification) 300,000 shares of capital stock. Price—At par (\$1 per share). Underwriter—None. Proceeds—For working capital. Office—321 So. Cherokee St., Nowata, Okla.

Penton Publishing Co., Cleveland, O. (11/14) Oct. 17 filed 80,000 shares of \$1.50 convertible class A stock (par \$25), to be offered to holders of presently outstanding 20.078 shares of \$100 par 7% preferred stock on basis of 51/2 shares of new class A stock in exchange

Continued on page 40

for each share of 7% preferred subject to acceptance by not less than 12,000 shares of 7% preferred, nor by more than 14,545 shares. The exchange offer is expected to be made on or about Nov. 14 and will expire 10 days later. Underwriter-Maynard H. Murch & Co., Cleveland, Ohio. Proceeds-Toward redemption of 7% preferred stock and payment of accrued dividends.

Quaker City Fire & Marine Insurance Co.

Aug. 2 (letter of notification) 10,000 shares of capital stock (par \$20) to be offered on a one-for-four basis to stockholders of record Oct. 20, 1950, with the rights expiring Dec. 4, 1950. Price—\$25 per share. Underwriter - Unsubscribed shares to be offered publicly through Burton, Cluett and Dana, 120 Broadway, New York, N. Y. Proceeds-For working capital. Office-226 Walnut Street, Philadelphia 6, Pa.

Ramie Products Corp.

Sept. 21 (letter of notification) 25,000 shares of common stock (par \$1). Price-\$3 per share. Underwriter-Smith, Talbott & Sharpe, Pittsburgh, Pa. Proceeds-For purchase of additional machinery and equipment and working capital. Office-507 Liberty Avenue, Pittsburgh 22, Pa.

Rohr Aircraft Corp., Chula Vista, Calif. (11/15) Oct. 25 filed 238,000 shares of common stock (par \$1), of which 100,000 shares are for the account of the company and 138,000 for the account of selling stockholders. Price—To be filed by amendment. Underwriters—The First Boston Corp., New York, and Lester & Co., Los Angeles, Calif. Proceeds—To company to retire outstanding preferred stock and mortgage notes.

Safeway Stores, Inc. (11/13)

Nov. 2 filed 200,765 shares of 4% cumulative preferred stock (par \$100), to be offered in exchange for outstanding 182,513 shares of 5% cumulative preferred stock (par \$100) on basis of 11/10 shares of 4% preferred, plus 30 cents in cash, for each share of 5% preferred stock, with a cash adjustment for fractions. Price-To be filed by amendment. Underwriter-Merrill Lynch, Pierce, Fenner & Beane, New York. Proceeds-To redeem on April 1, 1951, the unexchanged 5% preferred stock. Offer of Exchange-Expected to be made on Nov. 13, and to expire on Nov. 27. Offering-Of unexchanged shares expected Nov. 29.

Seneca Oil Co., Oklahoma City, Okla. April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). Price-\$1.25 per share. Underwriter-Genesee Valley Securities Co., Rochester, N. Y. Proceeds -To acquire properties and for working capital.

Simmel-Meservey Television Productions, Inc. June 29 (letter of notification) 150,000 shares of common stock (par \$1). Price—\$2 per share. Underwriter— Koellmer & Gunther, Newark, N. J. Proceeds—To complete films in progress and for general corporate purposes. Office-321 So. Beverly Drive, Beverly Hills, Calif. Statement to be withdrawn.

Skiles Oil Corp., Mt. Carmel, Ill.

Oct. 27 filed 125,000 shares of 6% cumulative convertible preferred stock (par \$10) and 225,000 shares of common stock (par \$1), of which 125,000 common shares are to be reserved for conversion of preferred. Price-For preferred, at par, and for common, \$7.50 per share. Underwriter-F. S. Moseley & Co., Chicago, Ill. Proceeds-To repay notes and for additional working capital.

Southern Discount Co., Atlanta, Ga. Sept. 18 (letter of notification) \$191,500 of 5% subordinated debentures, series E. Price-At par. Underwriter-For \$100,000 of debentures, Allen & Co., Lakeland, Fla. Proceeds-To reduce bank loans and for working capi-

tal. Office—220 Healey Bldg., Atlanta, Ga. Southwestern Gas & Electric Co. (12/4)

Nov. 2 filed \$6,000,000 of first mortgage bonds, series D. due Dec. 1, 1980. Underwriters — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers; Equitable Securities Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Otis & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); The First Boston Corp. Proceeds - For construction program.

Suburban Centers Trust, Boston, Mass.

Oct. 20 (letter of notification) \$280,000 of registered senior 5% convertible notes due 1960 (in denominations of \$100 each). Price—At 100%. Underwriter—None. Proceeds-For working capital to construct suburban shopping centers. Office-84 State St., Boston 9, Mass.

Tide Water Power Co.

Sept. 27 filed 150,000 shares of common stock (no par). Price-To be filed by amendment. Underwriters-Union Securities Corp. and W. C. Langley & Co. Proceeds-For construction program. Registration statement withdrawn on Nov. 2

Tide Water Power Co. (11/28)

Nov. 1 filed 132,000 shares of \$1.35 cumulative preferred stock (par \$25), convertible on or before December, 1960. Price-To be supplied by amendment. Underwriter-Union Securities Corp. and W. C. Langley & Co., New York. Proceeds-To redeem \$4.25 preferred stock and for construction program.

Union Electric Co. of Missouri

Nov. 2 filed \$25,000,000 of first mortgage and collateral trust bonds, due 1980. Underwriters-To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc. (jointly); The First Boston Corp.; Lehman Bros.; Dillon, Read & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly). Proceeds-To

finance construction program and pay bank loans. Issuance-Subject to stockholders' approval on Nov. 20.

Western Pioneer Insurance Co., Oakland, Calif. Oct. 26 (letter of notification) 12,000 shares of nonassessable common stock (par \$10). Price-\$25 per share. Underwriter-None. Proceeds-To expand operations. Office-4101 Broadway, Oakland, Calif.

Weymouth Light & Power Co.

Oct. 17 (letter of notification) 16,298 shares of capital stock (par \$25) offered to stockholders of record Oct. 24 on a basis of one share for each three held; rights to expire Nov. 15. New England Electric System (the parent) proposes to acquire 16,2271/3 shares and any shares not subscribed for by minority stockholders. Price-\$35 per share. Underwriter-None. Proceeds-To repay bank loans and advances and for construction expenses.

Wilcox-Gay Corp., Charlotte, Mich.

Oct. 25 filed 500,000 shares of common stock (par \$1). Price-To be supplied by amendment. Underwriters-Gearhart, Kinnard & Otis, Inc., New York, N. Y., and White & Co., St. Louis, Mo. Proceeds-To pay obligations to all unsecured creditors.

Wisconsin Public Service Corp. (11/15)

Oct. 16 filed \$4,000,000 of first mortgage bonds due Nov. 1, 1980. Underwriter—To be determined by competitive Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Robert W. Baird & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Equitable Securities Corp.; Otis & Co.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler; A. G. Becker & Co.; Carl M. Loeb, Rhoades & Co.; Harris, Hall & Co. (Inc.); Shields & Co.; F. S. Moseley & Co. Proceeds-From sale of bonds, plus \$2,250,000 to be received from sale of stock at par to Standard Gas & Electric Co., will be used to repay \$3,300,000 of bank loans and to finance construction program. Bids-Expected to be received up to 10:30 a.m. (CST) on Nov. 15 at the Harris Trust and Savings Bank, Chicago, Ill.

## **Prospective Offerings**

American Investment Co. of Illinois (11/30) Oct. 23 it was announced that company plans to file in the near future a registration statement with the SEC covering up to 100,000 additional shares of common stock (par \$1), on the basis of one share for each 20 shares owned. Price—To be filed by amendment. Offering— Registration statement expected to become effective on or about Dec. 1. Underwriters—Kidder, Peabody & Co., Alex. Brown & Sons and Glore, Forgan & Co. handled

latest private sale of debentures.

American Telephone & Telegraph Co. Sept. 20 it was announced stockholders will vote Nov. 15 on approving a new issue of not to exceed \$435,000,-000 of convertible debentures (to be offered to stockholders) and an increase in authorized capital stock from 35,000,000 to 45,000,000 shares, 3,000,000 shares of the additional stock to be offered to employees of the company and its subsidiaries. Financing expected some time during the first six months of 1951. Proceeds-For expansion program.

Atlantic City Electric Co.

Oct. 18 company estimated that about financing to the extent of \$2,000,000 will be required in connection with its construction expenditures from Sept. 1, 1950 through Dec. 31, 1951 which will amount to \$6,898,000.

Avco Manufacturing Corp.

Oct. 10 it was announced stockholders will vote Nov. 14 on plan to increase the authorized common stock from 10,000,000 shares to 15,000,000 shares to provide sufficient stock to complete the acquisition of all the assets and business of Bendix Home Appliances, Inc. (83% of stock of latter is owned by Avco). Emanuel, Deetjen & Co. and Lehman Brothers acted as dealer-managers under the exchange offer.

Brewing Corp. of America

Oct. 23 it was announced that stockholders will vote Nov. 3 on the creation of \$6,000,000 mortgage indebtedness, consisting of a \$3,000,000 first mortgage to mature serially and a \$3,000,000 second mortgage to mature on Sept. 30, 1957. Proceeds will be used to refund the outstanding \$6,000,000 of existing indebtedness.

Carolina Power & Light Co. (12/11)

Oct, 3 it was reported that this company will be in the market, probably in December, with an offering of \$15,-000,000 of new bonds. Previous debt financing placed privately. If competitive, probable bidders are: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and First Boston Corp. (jointly); Kidder, Peabody & Co.; Lehman Brothers; Equitable Securities Corp. Proceeds will be used for expansion program.

Central Hudson Gas & Electric Corp.

Oct. 25 company announced it has asked New York S. Commission authority to issue \$12,000,000 of new 30-year first mortgage bonds, of which it plans to sell early in December at least \$7,000,000 and the remainder in instalments during the following six months. Previous bond financing was done privately. Proceeds-For construction program.

Colonial Acceptance Corp., Chicago, III.

Oct. 20 it was reported that it is expected company will file a registration statement in the near future covering an issue of \$1,000,000 5% notes, with a 5% participating feature, plus additional common stock. Underwriters-Straus & Blosser and Sills, Fairman & Harris.

Columbus & Southern Ohio Electric Co. March 9 reported planning new equity financing before the end of the year in the form of common stock. Proceeds will finance a portion of the company's construc-

tion program, which calls for total expenditures of \$45,900,000 in the years 1950-1952. Traditional Underwriter-Dillon, Read & Co. Inc., New York.

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Commonwealth Edison Co., Chicago

Jan. 10, announced the company plans \$90,000,000 additional financing through the sale of securities. Neither the nature nor the time of the new financing has been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co.

Consolidated Edison Co. of New York, Inc. May 15, Ralph H. Tapscott, Chairman, said the company will require approximately \$90,000,000 of "new money" through the sale of securities. No permanent financing is contemplated before this fall, however, and current expenditures are being financed by short-term loans, of which \$16,000,000 are now outstanding. It is anticipated that \$257,000,000 will be needed for the construction program over the next four years. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.

**Eastern Utilities Associates** 

Oct. 30 it was announced company has filed a plan of reorganization with SEC, which, in part, provides for the formation of a new company to acquire the utility prop-erties of Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and to own securities of Blackstone Valley Gas & Electric Co. It is tentatively planned that the new company will issue and sell approximately \$22,000,000 of first mortgage and collateral trust bonds and about \$8,500,000 of preferred stock, and the proceeds, in part, used to redeem \$16,644,000 of Brockton, Fall River and Blackstone bonds and \$3,500,-000 of Blackstone 41/4% preferred stock, and to retire bank loans. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); First Boston Corp.; Lehman Brothers; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly).

El Paso Electric Co.

Sept. 19, F. C. Womack, President, announced company plans to sell \$4,500,000 of first mortgage bonds. Underwriters — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner and Beane; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Equitable Securities Corp. Proceeds—To redeem \$1,000,000 of  $3\frac{1}{2}\%$  bonds due 1978 and for construction program. Offering—Expected in November.

Facsimile & Electronics, Inc.

Oct. 2 stockholders of this company (formerly Finch Telecommunications, Inc.) voted to create an authorized issue of 400,000 shares of class A convertible stock (par \$1), all or part of which are to be publicly offered in the near future. Price—\$2.50 per share. Underwriter—Graham, Ross & Co., Inc., New York. Proceeds—To repay indebtedness to RFC and for working capital.

• Federal Water & Gas Corp. (11/29)

Nov. 2, J. Howard McGrath, Attorney General of the U. S., invited bids for the purchase from him of 9,000 shares of common capital stock (par \$5) of the above corporation. Bids will be received at the Office of Alien Property, 120 Broadway, New York 5, N. Y., on or before 11 a.m. (EST) on Nov. 29. (At present there are 976,303 shares of this class of stock issued and outstanding.)

Gatineau Power Co.

Oct. 27, the preferred stockholders of International Hydro-Electric System asked SEC to order B. A. Brickley, trustee, to sell sufficient Gatineau common stock to pay off a \$9,000,000 bank loan. Probable underwriters: Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and Harriman Ripley & Co.

Georgia Natural Gas Co., Albany, Ga.

Aug. 2 filed new application with FPC for authority to construct a 335-mile pipeline system in Georgia and Florida to cost about \$5,100,000, which would be financed through issuance of first mortgage pipe-line bonds and the sale of common stock. Previous application was withdrawn.

Great Lakes Oil & Chemical Co.

Oct. 28, it was announced that stockholders will be given the right to subscribe for additional capital stock at the rate of one share of stock for each held. Price-At par (\$1 per share).

Hawaii (Territory of) (11/21)

Nov. 6 it was announced that it is planned to issue and sell \$14,000,000 of various purposes bonds, to mature serially from Dec. 1, 1953 through Dec. 1, 1970. Underwriters-To be determined by competitive bidding. Probable bidders, Bear, Stearns & Co.; Chase National Bank and C. J. Devine & Co. (jointly); Bankers Trust Co. and Halsey, Stuart & Co. Inc. (jointly); Smith, Barney & Co. Bids—To be received on Nov. 21.

Hearn Department Stores, Inc., N. Y. City Nov. 6 stockholders approved the creation of an authorized issue of 40,000 shares of 5% cumulative convertible preferred stock (par \$25), which are to be offered to present stockholders in the ratio of one preferred for each seven common shares held. Unsubscribed shares will be purchased by Bankers Securities Corp. of Philadelphia. Proceeds-From this offering, plus a \$2,000.000 term bank loan, will be used to modernize company's stores and to repay certain borrowings

International Minerals & Chemical Corp.

Oct. 26. Louis Ware. President, announced stockholders will vote Nov. 27 on a proposed plan of new financing under which it is contemplated to sell to the public 200,470 shares of common stock. This would be followed by a 100% stock distribution. Underwriters-Previous financing was handled by White, Weld & Co. Proceeds-For expansion program and working capital.

Iowa Southern Utilities Co.

April 26 company said to plan sale of first mortgage bonds to finance part of its \$3,200,000 construction program for 1950. Probable underwriter: The First Boston

Kaiser Aluminum & Chemical Corp.

Oct. 27 it was reported company plans new financing (may be placed privately). Probable underwriter: The First Boston Corp.

Kansas Gas & Electric Co.

Oct. 10 it was announced that proposed sale of \$5,000,000 first mortgage bonds, which had tentatively been scheduled for Nov. 27, has now been deferred, probably until 1951. Underwriters — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). Proceeds -For construction program. (See also registration of common and preferred stocks above).

Kansas Gas & Electric Co.

Oct. 31 it was reported company is considering refunding early next year of \$16,000,000 first mortgage 3%% bonds due 1970 (held privately by a group of insurance companies) and \$5,000,000 of first mortgage 31/8% bonds due 1978. (See also accompanying item).

• Lytton's, Henry C. Lytton & Co. Oct. 25, Judge W. F. Waugh of the Probate Court at Chicago, Ill., ordered the First National Bank of Chicago. as Executor of the Estate of Henry C. Lytton, to sell 83,000 shares of common stock in the company to satisfy claims against the estate. Registration statement may be filed with SEC.

Michigan-Wisconsin Pipe Line Co.

July 25 company received SEC authority to borrow not more than \$20,000,000 from banks. A permanent financing program provides for the elimination of these bank loans prior to their maturity, July 1, 1951, and such program will include the issuance and sale of \$12,000,000 additional bonds and \$3,000,000 of additional common stock (latter to American Natural Gas Co., the parent). Previous debt financing was placed privately. If competitive probable bidders may include The First Boston Corp.; Harriman Ripley & Co., Inc.; Glore, Forgan & Co.

MidSouth Gas Co.

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July 31 it was announced that this newly organized company may issue and sell publicly \$2,800,000 of common stock and place privately with institutional investors \$6,900,000 of 20-year 3\% % first mortgage bonds, the proceeds to be used in connection with the acquisition of the gas distribution properties of Arkansas Power & Light Co., which was authorized by SEC on Sept. 7 Initially it is planned to sell \$800,000 stock and \$1,500,000 of bonds. Underwriter for Stock—Equitable Securities Corp., T. J. Raney & Sons and Womeldorff &

Mississippi River Fuel Corp., St. Louis, Mo.

Oct. 4 it was announced that plans to finance the installation of additional compressor units on the company's pipeline system in Arkansas and Missouri will be supplued later. The estimated cost of the new facilities is \$5,500,000. Previous bond financing was arranged for privately through Union Securities Corp., who also acted as underwriter for a common stock issue in April of this

 Missouri Central Natural Gas Co., Macon, Mo. Nov. 1 company asked FPC authority to build approximately 60 miles of pipeline in Missouri at an estimated cost of \$1,200,000. The project would be financed from the proposed issuance of \$1,000,000 of first mortgage bonds and 2,000 shares of \$100 par 5% preferred stock.

Missouri-Kansas-Texas RR. (11/29)

Oct. 16 it was reported company is planning ot issue \$5,-700,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers; Harris, Hall & Co. (Inc.); R. W. Pressprich & Co.

Monongahela Power Co.

Oct. 20 it was announced that financing plans would be announced later in connection with the construction of a new electric generating station of 150,000 kilowatts capacity at a cost of approximately \$20,000,000. It was later reported that between \$10,000,000 and \$12,500,000 bonds may be sold next March. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Equitable Securities W. C. Langley & Co. and The First Boston Corp. orp. (jointly); Union Securities Corp.; Salomon Bros. & Hutz-ler; Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. Probable bidders for pre-ferred stock: Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Lehman Brothers; W. C. Langley & Co.; Harriman Ripley

Montana-Dakota Utilities Co.

Oct. 11 company asked FPC for authority to issue \$2,-800,000 of  $2^{1/2}\%$  promissory notes to banks to provide funds for its expansion program. These notes, together with \$3,000,000 of notes authorized by FPC last May, are to be refunded by permanent financing before April 1. 1951. Traditional underwriters are Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane. Stockholders on Nov. 27 will vote on increasing authorized preferred stock from 100,000 to 150,000 shares and common stock from 1,500,000 to 2,500,000 shares.

Mountain Fuel Supply Co. of Utah

June 6 company announced plans to create a new firm to take over its exploration and development of natural gas and oil operations. It will be financed, in part, through public sale by the new unit of 1,000,000 shares of capital stock (par \$8). Financing plan submitted by First Boston Corp. Expected this Fall. National Video Corp., Chicago, III.

Oct. 23 it was reported this company contemplates the offering of additional capital stock, the proceeds of which are to be used to finance, in part, the cost of erection of a new \$1,200,000 building and an additional \$1,000,000 for new equpipment. Most of the funds necessary for this expansion are expected to come from earnings.

**New England Electric System** 

Oct. 30 SEC authorized 12 subsidiaries of this System to increase their bank borrowings in the aggregate amount of \$14,455,000 through the issuance of bank notes from time to time prior to the end of 1950. These 12 companies now have outstanding a total of \$22,510,000 of bank notes; and prior to Dec. 31, 1950, certain of the companies contemplate the retirement of part or all of the notes with proceeds from permanent financing. (See accompanying items on New England Power Co. and Worcester County Electric Co.) Construction expenditures of all NEES subsidiaries are estimated at \$12,340,000 for the last quarter of 1950, \$34,912,000 in the year 1951 and \$25,524,000 in the year 1952. Sept. 30 bank debts aggregated \$26,340,000. It is anticipated that about \$25,000,-000 of the needed funds will be derived from internal sources, leaving about \$75,000,000 to be obtained either from the sale of assets or security issues of NEES or its subsidiaries of which the major portion will be obtained from the sale of senior securities of subsidiaries to the public. NEES also intends to dispose of its investment in gas and transportation properties and the proceeds of such sales should be substantial although the timing for the receipts arising from such disposition cannot be definitely stated at this time even though negotiations for some of such sales are actually under way.

NEES intends to maintain a reasonable equity base for the required senior financing and if it then appears that the sales of gas and transportation properties are to be materially delayed, NEES proposes to maintain such equity base through the issue and sale of additional common shares (probably first to stockholders) as soon as practicable and feasible provided market conditions are favorable. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and

Goldman, Sachs & Co. (jointly).

New England Power Co. April 24 it was estimated that about \$37,000,000 new financing will be required to pay construction costs estimated at \$40,000,000 for 1950 to 1952. Present plans are to issue this Fall \$10,000,000 bonds and 70,000 to 80,-000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc. (2) for bonds and preferred: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; (3) for preferred: W. C. Langley & Co.

New Hampshire Electric Co.

Sept. 7 company applied for authority to issue 15,000 shares of \$4.50 preferred stock (par \$100) and 140,000 shares of common stock (no par) which are to be exchanged for presently outstanding 150,000 shares of common stock (no par) held by New England Gas & Electric Association. Latter plans to dispose of this investment prior to Sept. 1, 1951.

New York Central RR. (11/9)

Bids will be received until noon (EST) on Nov. 9 at the company's office, 466 Lexington Ave., New York, N. Y., for the purchase of \$4,800,000 of equipment trust certificates, third equipment trust of 1950, dated Nov. 15, 1950 and due \$320,000 each Nov. 15 from 1951 to 1965, inclusive. Probable bidders include: Halsey, Stuart & Co. Inc.: Salomon Bros. & Hutzler: Harriman Ripley & Co., Inc. and Lehman Brothers (jointly).

Niagara Gas Transmission Ltd. (Canada)

Oct. 20, it was announced that this company, a subsidiary of Consumers' Gas Co., plans to build a pipe line in Canada to export from Tennessee Gas Transmission Co. Texas natural gas by way of the Niagara border. The total cost of the project is estimated at \$6,000,000, of which \$2,000,000 will be represented by 400,000 shares of capital stock, par \$5, and \$4,000,000 to be raised by the issue of bonds.

Niagara Mohawk Power Corp.

Oct. 24 the company estimated that, through 1951, it will require not more than \$35,000,000 of additional debt or equity financing in connection with its 1951 construction which is expected to cost \$52,328,000. This amount is in addition to the sale on Oct. 31 of \$40,000,000 general mortgage bonds due Oct. 1, 1980. Probable bidders for new bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.

North American Car Corp.

Aug 15 it was reported that the company is to issue and sell publicly not exceeding 40,000 shares of common stock (par \$10). Probable underwriter: Glore, Forgan & Co., New York. The proceeds are to be used for car rebuilding program.

North Penn Gas Co.

Sept. 25 it was announced company plans permanent financing following merger of the Pennsylvania sub-sidiaries of Pennsylvania Gas & Electric Corp., the parent. Proceeds-To retire, in part, proposed bank loans of \$3,000,000.

Oklahoma Gas & Electric Co.

Sept. 28 a plan was filed with the SEC, which provides, in part, for the refunding of the outstanding \$6,500,000 51/4% cumulative preferred stock (par \$100) with an equal par amount of preferred stock having a lower dividend rate "as soon as the transaction becomes eco-nomically sound," and to finance part of the company's

construction program by the issuance and sale of additional common stock. Stockholders will vote on Dec. 4 on changing each of the 1,076,900 shares of \$20 common stock now outstanding to two shares of common stock, \$10 par each; and on changing the 825,000 shares of authorized but unallotted shares, \$20 par, of 4% cumulative preferred stock to 165,000 shares of \$100 par cumulative preferred stock. Probable underwriters: Harriman Ripley & Co., Inc.; Smith, Barney & Co.

Pacific Northwest Pipeline Corp.

June 30 company sought FPC authority to build a 2,175 mile pipeline system-from southern Texas to Washington-at a cost of \$174,186,602. Negotiations for major financing requirements are now in process of being completed. Probable underwriters: White, Weld & Co. and Kidder, Peabody & Co. R. R. Herring, President, on Oct. 12 stated permission to build the line is expected within six months.

Pennsylvania Electric Co.

Oct. 4 company was reported to be planning the issuance early next year of about \$10,000,000 new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc. Proceeds are to be used to finance construction program.

Pennsylvania Power & Light Co.

Oct. 26 Chas. E. Oakes, President, stated the company will require about \$24,000,000 of new capital over the next three years through the sale of securities, with \$15,000,000 to be raised in the next 15 months. It is reported that not over 75,000 shares of series preferred stock may be sold late this year or early 1951. Traditional Underwriters-The First Boston Corp. and Drexel & Co. Proceeds-To finance, in part, the company's construction program.

Pennsylvania Power & Light Co.

Nov. 7 company announced plans for the offering to its common stockholders of additional common stock on the basis of one share for each seven shares held on or about Nov. 30; rights are expected to expire about Dec. 15. The subscription price and other terms will be disclosed about the time of the offering. Underwriters-Drexel & Co., The First Boston Corp., and associates. Proceeds-For construction program.

Potomac Edison Co.

Sept. 20 it was announced company has decided to speed up an expansion program, which, it is estimated, will cost between \$10,000,000 and \$12,000,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co.; Glore, Forgan & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. Probable bidders for preferred stock: Harriman Ripley & Co. Inc., Blyth & Co., Inc. and Lehman Brothers (jointly); W. C. Langley & Co. Offering-Expected in April or May, 1951.

Public Service Co. of Colorado

Nov. 1, J. E. Loiseau, President, announced that "it will be necessary to raise additional funds for construction purposes in the second quarter of 1951. The amount needed is estimated at about \$7,000,000."

Public Service Co. of Indiana, Inc.

Oct. 31, company estimated that, in addition to the \$40,-000,000 bank credit arranged with eight banks, it may be required, during the period prior to Dec. 31, 1953, to obtain additional funds of approximately \$40,000,000 in order to take care of its construction program.

Roosevelt Mills, Inc., Manchester, Conn. July 20 company was reported to be negotiating with a group of underwriters for a public stock offering of about \$150,000 of additional capital stock at \$1 or \$2 per share. There are presently outstanding 1,381 shares of stock, which are closely held.

South Georgia Natural Gas Co., Atlanta, Ga. Aug. 23 company applied with FPC an amended application for authority to build a 526.9 miles pipe line in Georgia and Florida which, it is estimated, will cost between \$10,500,000 and \$12,080,000 to be financed by sale of first mortgage bonds and the issuance of junior securities. Probable underwriter: Courts & Co.

Southeastern Michigan Gas Co., Chicago, III. June 12 it was announced company plans issuance and sale of first mortgage bonds, debentu and common stock in connection with its proposed new pipe line in Michigan to cost approximately \$1,400,000. Application is before FPC.

Southern California Edison Co.

Sept. 27, W. C. Mullendore, President, announced that company will have to raise \$50,000,000 in new capital within the next 18 months to finance its 1951 construction program. Total financing may involve \$55,000,000 in new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Shields & Co.

Southern Natural Gas Co.

Nov. 1, Chirstopher T. Chenery, Chairman, announced company will soon file with SEC a financing program which is expected to comprise \$17,500,000 of 20-year first mortgage pipeline bonds and 155,546 shares of additional common stock (latter to be offered for subscription by stockholders in ratio of one share for each 10 shares held). Price—For stock to be announced later. Underwriters—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. Proceeds—To repay a \$20,000,000 2% bank loan due July 1, 1951, and the balance (ex-

Continued on page 42

pected to exceed \$1,500,000) to provide some additional working capital. Bids—Tentatively scheduled for bonds in first week of January.

Southern Production Co., Inc. (11/20)

Oct. 26 the Attorney General of the U.S. invited bids for the purchase from him of a block of 7,020 shares of common stock. These shares represent approximately 1/2 of 1% of the 1,049,212 shares of stock issued and outstanding. Bids—Must be presented at the Office of Alien Property, 120 Broadway, New York 5, N. Y., on or before 11 a.m. (EST) on Nov. 20.

Southern Union Gas Co.

Oct. 20 it was reported company plans to raise between \$7,000,000 and \$8,000,000 through the sale of new securities next Spring. Underwriter - Blair, Rollins & Co. Inc., handled the financing early this year of \$18,000,000 of first mortgage 2 1/8 % bonds and \$3,000,000 of 4 3/4 % preferred stock (par \$100). Proceeds-To repay \$3,000,-000 of bank loans and for construction expenditures.

Texas Eastern Transmission Corp.

Oct. 9 it was announced company plans to raise approximately \$40,000,000 of equity money, which would be supplemented by approximately \$70,000,000 of first mortgage pipe line bonds (latter may be placed privately). Underwriter-Dillon, Read & Co. Inc., New York. Proceeds-For expansion program. Increase in Capitalization-Stockholders on Nov. 3 authorized 600,000 shares of preferred stock (par \$100) and increased the common stock from 6,000,000 to 7,500,000 shares.

Texas Illinois Natural Gas Pipeline Co.

Sept. 15 company applied to the FPC for authority to construct approximately 72 miles of new line in Texas at an estimated cost of \$11,581,800. It is planned to issue first mortgage bonds for 75% of the required capital and to raise the remaining 25% through the sale of common stock. Probable underwriters-White, Weld & Co and Glore, Forgan & Co.

Toledo Edison Co.

May 9 it was announced that the company plans to issue and sell \$7,500,000 additional first mortgage bonds in December, 1950, and probably additional common stock sometime during 1951, the proceeds to be used to complete expansion program. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce,

Fenner & Beane (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers, Harriman Ripley & Co., Inc., Bear, Stearns & Co. and Carl M. Loeb, Rhoades & Co. (jointly); Smith, Barney & Co.; Union Securities Corp.

United Gas Corp.

Oct. 6 it was reported company will probably sell between \$100,000,000 and \$125,000,000 of new bonds before end of this year, the proceeds to be used to finance construction of 1,130 miles of pipe line, which, it is estimated will cost approximately \$115,000,000.

United Gas Pipe Line Co.

July 25 filed with FPC for authority to build 1,130 miles of new lines in Texas, Louisiana and Mississippi at a cost of about \$110,000,000, including new facilities. It is probable that the bulk of this new capital will be raised through the public sale of new securities.

United States Pipe Line Co. (Del.)

Sept. 25, it was announced that this company had been formed to build, own and operate a petroleum products pipeline from the Texas Gulf Coast to St. Louis, Chicago and other midwest markets to operate as a "common carrier." The initial financing has been arranged for privately, with no public offering expected for at least two years. E. Holley Poe and Paul Ryan, of 70 Pine St., New York, N. Y., are the principal officers of the cor-

Utah Power & Light Co.

Oct. 17 it was announced that present plans call for the company to offer approximately \$12,000,000 of new bonds and about 200,000 additional shares of common stock in 1951 to provide funds for its construction program. Underwriters—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler; First Boston Corp., and Blyth & Co., Inc. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); and (2) for stock: Blyth & Co., Inc.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); Lehman Brothers, and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Valley Gas Pipe Line Co., Inc., Houston, Tex. June 27 company sought FPC authorization to construct a \$144,500,000 pipeline project to carry natural gas from

the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

#### Warner-Hudnut, Inc.

July 20 change in company's name from William R. Warner & Co., Inc. was approved, but no action was taken on proposed recapitalization plan, due to market conditions. It is planned to file a registration with the SEC covering the sale of approximately 325,000 shares of the proposed new common stock (par \$1) to the public through a nation-wide group of underwriters headed by F. Eberstadt & Co., Inc.

#### Washington Water Power Co.

Oct. 30 company received SEC authority to increase bank borrowings from \$4,500,000 to \$7,150,000 in order to meet its construction requirements pending permanent financing. In September, the Washington P. U. Commission denied an application to borrow \$3,850,000 additional to retire 35,000 shares of \$6 cumulative preferred stock of no par value. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) For bonds only: Halsey, Stuart & Co. Inc.

#### Western Pacific RR. (11/15)

Sept. 5 it was announced company plans issuance and sale of \$22,000,000 3% first and refunding mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; Lehman Bros. and Bear, Stearns & Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). Proceeds-To retire \$10,000,000 first mortgage 4% bonds and 6,133,000 convertible income  $4\frac{1}{2}\%$  bonds due 2014, and over \$5,800,000 "new money." Expected about middle of November.

Worcester County Electric Co.

Sept. 25 a plan was filed with the SEC, the FPC and the Massachusetts Department of Public Utilities providing for the merger with this company of seven other subsidiaries of New England Electric System, following which Worcester County proposes to issue and sell \$12,-000,000 of first mortgage bonds to retire bank loans of the companies participating in the merger. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; First Boston Corp.; Harriman Ripley & Co., Inc.

Continued from page 16

## Stop Dollar Goose Stepping To Stalin's Tune

not as important as the control of the way it is used-witness the system must be supplemented by control of the price of our long- obligating each individual, a new term Governments bonds.

#### Revision of Tax Laws

law should be designed to help only every citizen of this country found itself with a \$300,000,000 control the use of the supply of money. The way we have formulated tax laws for the past 15 value of the dollar, the capitalistic its current assets and current lia- figures estimated: years is like getting the last bit of system, and in its wake, our form toothpaste out of a tube. You unroll it, look closely, gouge itroll it up again and then a final crises before; war, peace and squeeze. Apropos of the plan recently suggested that we raise the flat normal and surtax on corporations another notch and call the prices of goods and services it a defense tax is merely getting and the controls of the use of the in step with another socialistic supply of money are laxed. We do tune. If it were true that all the not adopt means for correcting the members of our labor organiza- damage done. tions, all our farmers, all the additional cost. But there are only done? five or six million common stockholders paying, versus 150 million both corporate and individual, are tain point. Above this point they create a paradoxical picture by which control of prices is adopted. controls.

At the present time our tax something causing each individual to feel he is helping pay the cost of war or peace. Something that The amendment to our new tax will command the respect of not of government.

> We have gone through these politics. The gezippe in our picture is that after whatever crises we pass through, the controls of

In the fall of 1944 we were members of our professions and troubled with the solution of services were common stock- similar problems — inflation, the holders, then good and well—they national debt, and post war full all would be paying part of the employment. What has been

At that time the writer suggested a program which was pubpeople benefiting. It would not be lished in the "Chronicle" of Oct. tional tax. Federal income taxes, made then are equally valid today and for this reason, it is approeconomically sound up to a cer- priate to repeat them further below.

It will be said that any plan aiding and abetting inflationary similar to this is neither politically forces (or rather higher prices) feasible nor practical - take defeating the very purpose for politics out of taxes and price

## A Plan for Treating the National Debt\*

tration as practiced by our large

rations, which, as a result of pro- pose. longed expansion in business, but the respect and attention of debt but after a let-down in acthose who would overthrow the tivity, resulting in a wash-out of be paid? Here is the formula-

On the other hand, if legislation be used for reducing the debt. from inheritance, Federal estate is designed, forcing our govern- What would it do if its annual and gift taxes. This will appeal to ment to put into practice the same turnover of business was large the philanthrophy of those more orthodox methods of accounting enough to allow the creation of able to pay and bring in enough procedure and business adminis- additional earned surplus every additional to take care of delinyear after reasonable dividends? corporations, inflation in most of It would use part of the surplus used to purchase government its varied forms can be prevented. to reduce its debt, either by an- bonds in the market up to par, to What move would likely be nual serial payments, or establish take them up at maturity or to made by one of our large corpo- a sinking fund for the same pur-

-what formula can be used to determine the cost of the war and how much of the war debt should

National debt at the end of hostilities	\$300	billion
Debt at the beginning of the war	40	6.6
Individual savings resulting from government deficit spending	130	44
Corporate savings	25	6.6
Reduction of individual, corporate and municipal debt	15	4.6
Approximate liquidating value of government war- owned propertiesAllowance for savings in normal peace times for	50	4.6
duration of the war	10	4.6
†Lost property values	30	4.6
in the second bloom		Alexander

Represents war property destroyed on the ground, blown up in the air, or sunk to the bottom of the ocean.

#### Equation

Cost of war=300 billion minus the sum of (debt at the start of the war, plus liquidating value of (rules to be drawn up for exclugovernment war-owned property, sion of the incapable, the destitute plus normal peacetime increase in and the military) and arrive at fair for them to pay all this addi- 19, 1944. The recommendations savings for duration of war or the approximately \$1,200 owed by sum of individual savings, plus each individual. Each person corporate savings, plus individual, corporate and municipal reduction in debt, plus lost property values. stallme Cost war equals 300 billion, nually. minus sum of (40 billion plus 50 30 billion=200 billion.

should be paid and by whom?

We divide the 150 billion number of living persons in the United States and its possessions shall give to our government his 20-year non-interest-bearing installment note, payable \$60 an-

Congress shall create a war debt billion plus 10 billion) = 200 bil-liquidating corporation; on the lion or the sum of 130 billion plus debit side will be the \$150 billion 25 billion plus 15 billion, plus debt. On the credit side \$150 billion of non-interest-bearing in-How much of this war cost stalment notes - expenses of the corporation and service on the Cascade Building. Let's say 75% or 150 billion, and debt will be accounted for in the Legislation by Congress for same manner which all national pass on 50 billion to unborn pos- Treasury's annual budget. To altered the distribution of our National Debt at governments have always treated terity. The living, while maybe leviate the burden on younger treatment of our National Debt at governments have always treated terity. The living, while maybe leviate the burden on younger Treasury's annual budget. To al- With H. L. Emerson & Co. the end of war as a part of our sky-rocketing national debts re- not deserving, should receive generations the first instalment postwar tax program is absolute- sulting from costs of wars—and some credit for planning for those will be due on the first of the cally necessary. If treated in the that has been haphazard reduc- yet unborn — on the theory that endar year following the 24th \*Originally published in the "Chrone" of Oct. 19, 1944.

tions when and if the annual re- the four freedoms are worth as birthday. Anyone has the option Commerce Building, members of ceipts exceed annual expenditures, much to one person or contains the contains t ceipts exceed annual expenditures much to one person as another, to pay all his notes at any time, the Midwest Stock Exchange.

—we are apt to lapse into the age-bilities, found its cash position too Donations made to the war debt old practice of repudiating or in- large for its annual turnover of liquidating corporation through flating the debts out of existence. business? Part of the cash would testament or gift shall be free quents. Moneys collected shall be call them on their call dates. Moneys received by the War Sur-How can our government do this plus Property Liquidating Board shall go to the U.S. Treasury and be used for the same purpose.

Adoption of a plan like this will not only result in liquidation of a large part of our national war debt but will nip in the bud any form of threatening inflation. The forces of inflation thrive on a public psychology which seeks something for nothing and just as truly the forces of thrift, courage and endeavor thrive on the knowledge that a person must pay for whatever he gets. And not the least important public reaction to be gained by adopting such a plan is the continuously living consciousness that the cost of war is very

#### Kidder, Peabody Appoint

Kidder, Peabody & Co., members of the New York Stock and Curb Exchanges, announce the appointment of Charles A. Adams, Pierre Filiatrault and Frederick P. Kimbley as registered representatives in the firm's uptown office, 10 East 45th Street, New York City.

#### With Donald C. Sloan Co.

(Special to THE FINANCIAL CHRONICLE) PORTLAND, Ore. - Frank B. Smith, Jr., has become affiliated with Donald C. Sloan & Co.,

(Special to THE FINANCIAL CHRONICLE) CLEVELAND, Ohio-Mark D.

Sanborn has joined the staff of

Continued from first page

## Foreign Trade Council **Issues Recommendations**

their full productive potential.

needed or desired goods and servcrisis, the interchange of an increasing volume of goods and services among nations is essen- management and techniques. tial, not only to the maintenance also to the stimulation and develthe situation demands.

be acquired on a sound and ecothe production of other nations supply of the critical materials needed to sustain and increase its own productivity.

Never has the importance of inthan it is today, for upon its expansion depends not only the dertaken by government. well-being of the free nations of the world, but their very hope for survival.

(3) Foreign Economic Assistance The Convention joins with previous Conventions in recognizing the mutual benefits that can be derived from the efforts of our Government to stimulate the productivity of the other free nations; and it believes that the need for greater productivity, in the more highly industrialized countries as well as in the less developed areas of the world, is now greater and more compelling than ever before.

United States Government assistance has played a vital part in fostering economic recovery abroad. The Convention holds, however, that the basic needs of the nations of Western Europe for industrial rehabilitation and economic recovery have been substantially met. Further industrial expansion in these countries should be carried forward mainly by private enterprise, and United States Government assistance, henceforth, should be concentrated on the stimulation of military production, to the extent that such assistance is demonstrated to be necessary. Similarly, the Con-

SITUATION WANTED

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the interchange of goods and vention holds that the underdeservices among nations, can the veloped areas should place their peoples of the free world realize primary reliance on private enterprise for the provision of (2) The Vital Importance of In- needed industrial capital and techternational Trade - The basis of niques. Both in Western Europe all trade is the mutual advantage and in the less industrialized obtained from the interchange of areas, the United States Government can contribute most effecices. The basis of international tively to advancement in the intrade is the realization of this dus rial field by promoting, mutual advantage by the inter- through every means at its dischange of such goods and services posal, the creation of economic among nations. In this time of environments conducive to the formation and flow of private capital, with its accompanying

The Convention recognizes that of civilian living standards, but there are broad areas - such as public health, sanitation, educaopment of the military production tion, and development of improved agricultural methods-in will contribute to the creation of Without ready access to the which the provision of assistance raw materials and manufactured may properly be the subject of goods required for both civilian direct dealings between the United and military needs, the necessary States Government and other govexpansion of economic activity ernments. The Convention becannot be achieved. Without ready lieves that any funds provided by availability of markets for the our Government for such purgoods which each nation makes poses should be allocated for available for sale, the imports clearly-defined projects, within needed to sustain its internal specified financial limits and subeconomy, and to provide the basis ject to adequate controls to assure for increased production, cannot that the funds will be used for the stated purposes. The Convention nomic basis. In common with the likewise believes it to be of the rest of the free world, the United highest importance that these States is vitally dependent upon principles should also govern when an international organizafor the maintenance of its living tion or agency is the instrument standards, and for a continuing for execution of a project. It emphasizes, however, that the establishment of an environment conducive to private enterprise development will increase the efternational trade been greater fectiveness of any program for social betterment that may be un-

> The Convention is opposed to the provision by the United States Government of any foreign economic assistance which is motivated by the urge to stimulate exports solely for the sake of maintaining production, profits or employment in the United States.

> Our partner nations are in real need of assistance in building up their defenses against Communist

#### FINANCIAL NOTICE

NOTICE OF CONDITIONAL OFFER TO HOLDERS OF OUTSTANDING SECURITIES OF A. P. W. PRODUCTS COMPANY, INC. (Formerly Albany Perforated Wrapping Paper Company)

Notice is hereby given that under an Agreement dated October 31, 1950 executed by Publishers Financial Burcau, Inc., (herein called the Seller), representing Roger W. Babson and associates, and Isidor Baum (herein called the Buyer), a counterpart of which is on file with the undersigned designated therein as the Escrowee, (which Agreement is available for inspection at the office of the undersigned), a conditional offer is made, and is conditionally accepted for the purchase and sale at the prices hereinafter stated for presently outstanding securities of A. P. W. Products Company, Inc. on the terms and conditions generally herein set forth:

First Mortgage and Collateral Trust Twenty Year 5% Sinking Fund Bonds due April 1, 1966 (herein called the Bonds) at 90% of their face value with interest accrued through November 30, 1950,

Twenty-five Year 6% Convertible Notes due July 1, 1955 (herein called the Notes) at 60% of their face value, without interest, and Common Stock (herein called the Stock) at \$6 per share.

On the part of the Seller the condition is that holders of all securities outstanding on October 31, 1950 be accorded the right to in-clude their securities in the sale on the same terms.

clude their securities in the sale on the same terms.

On the part of the Buyer the condition is that not less than \$500,000 face amount of the Bonds, \$200,000 face amount of the Notes and 30,000 shares of the Stock be deposited with the undersigned for sale under the Agreement not later than December 1, 1950.

First Mortgage Bondholders and other Security holders owning Stock Purchase Warrants (expiring April 1, 1955) are expected to surrender and deliver said Warrants with their other securities without additional consideration. All holders of securities desiring to include their securities in the sale should promptly deposit them with the undersigned to whom application may be made for Letter of Transmittal.

mittal.

A receipt will be issued entitling the holder to receive the net proceeds of sale of the securities represented thereby OR the return of the securities if the conditions of the Agreement are not fulfilled.

MANUFACTURERS TRUST COMPANY. Corporate Trust Department
45 Beaver Street
New York 15, N. Y.
November 1, 1950

aid should only be designed to sources, industrial techniques, and treaties, can be important means supplement their efforts in their administrative experience, is best to this end. However, it remains own behalf.

(4) Encouragement of Private Investment Abroad - Defense requirements, and the continuing improvement in the living standards of the free world, have imposed increasing demands on its resources and productivity, thus creating an urgent need for new capital investment. Not only must there be encouragement of savings and more effective mobolization of private capital to finance the required expansion of pro- abroad which, under proper conductive facilities in the industrially - advanced countries, but vate capital. Our Government additional capital must be provided to stimulate the productivity of vast areas of the free world still in the earlier stages of eco- negotiation of Treaties of Friendnomic development. This underlines the necessity for establishing Development, under which Amermaintaining, within each country, political and economic be protected and assured of fair conditions which will be condu- and non-discriminatory treatcive to capital formation and productive investment, and which an international environment that will encourage the flow of private capital to countries that have need of it and can put it to constructive

The development of the world's economically-retarded areas requires a high degree of international cooperation. American capital cannot undertake the entire burden. In most countries seeking economic development, there are substantial accumulations of private capital, and it is the responsibility of these countries to make the maximum use of their local capital resources, as well as to create conditions that will serve to attract additional investment from abroad.

The promotion of industrial development throughout the free world is, and should continue to be, primarily the responsibility of private enterprise. American in-

#### **DIVIDEND NOTICES**



COMMON STOCK

On October 31, 1950 a special dividend of two dollars per share was declared on the Com-mon Stock of this Company, payable December aggression; but even in this field 15, 1950 to Stockholders of record at the close of business November 22, 1950. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, Secretary



A regular quarterly dividend of 37/1/10 per share on the \$1.50 Cu-mulative Preferred Stock has been declared payable December 1, 1950 to stockholders of record Novem-

A quarterly dividend of 50c per share on the Common Stock has been declared payable December 1. 1950 to stockholders of record November 15, 1950.

N. H. POLONSKY, Secretary



#### THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

#### 18th Consecutive Quarterly Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Com pany, payable on December 1, 1950 to stockholders of record at the close of business on November 15, 1950.

GEORGE SELLERS, Secretary

November 3, 1950

the main burden is theirs, and our dustry, with its financial re- ment, and the conclusion of tax equipped to make the foreign in- for the governments and the peovestments desired. American in- ples of the countries seeking vestors, however, must have the economic advancement to demoncomplete cooperation of their own strate, by the treatment they government, as well as that of the accord foreign capital, that addigovernments of the recipient tional investments are really decountries, if they are to make sired. their contribution an effective

> On its part, the United States Government should make it clear that it will not provide funds for economic development projects ditions, could be financed by prishould also intensify its efforts to ensure that these proper condi- change. tions are brought into being. The ship, Commerce and Economic ican capital invested abroad would

> > **DIVIDEND NOTICES**

regular quarterly divi. LION

E. W. ATKINSON, Treasurer

A regular quartery dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable December 15, 1950, to stockholders of record November 30, 1950.

The stock transfer books will remain

The New York Central Railroad Co.

New York, November 8, 1950
A dividend of One Dollar (\$1.00) per share on the capital stock of this Company has been declared payable December 27, 1950, at the Office of the Treasurer, 466 Lexington Avenue, New York 17, N. Y., to stockholders of record at the close of business November 24, 1950.

G. H. HOWE, Treasurer.

DIVIDEND NO. 44

Hudson Bay Mining

and Smelting Co., Limited

A Dividend of one dollar (\$1.00) (Canadian) per share and an extra Dividend of one dollar (\$1.00) (Canadian) per share has been declared on the Capital Stock of this Company,

both payable December 18, 1950, to shareholders of record at the close of business on November 17, 1950.

Imperial Oil Limited

Imperial Oil Building,

Toronto 1, Ontario.

NOTICE TO SHAREHOLDERS AND

HOLDERS OF SHARE WARRANTS

HOLDERS OF SHARE WARRANTS

A dividend of 30c per share, payable in Canadian funds, has been declared on the outstanding shares of the Company, payable December 1st, 1950. Registered shareholders of record November 16th, 1950, will receive dividends by cheque. Dividends in respect of share warrants will be paid on or after December 1st, 1950, by The Royal Bank of Canada on presentation of coupon number 75.

Transfer books will be closed from November 17th to November 30th inclusive, 1950. Dividends payable to non-residents may be converted into foreign currencies at the rate prevailing on date of presentation.

BY ORDER OF THE BOARD

BY ORDER OF THE BOARD

**ALLIS-CHALMERS** 

\_\_\_\_MFG. CO.\_

COMMON DIVIDEND NO. 106

A regular quarterly dividend of seventy-five cents (75¢) per share, plus an extra dividend of one dollar (81.00) per share, or a total of one dollar and seventy-five cents (81.75) per share, on the issued and outstanding common stock, without par value, of this Company has been declared, payable December 22, 1950, to stockholders of record at the close of business December 1, 1950.

PREFERRED DIVIDEND NO. 17 A quarterly dividend of eighty-one and

A quartery divident of eighty-one and one-quarter cents (81%) per share on the 3% Cumulative Convertible Preferred Stock, \$100 par value, of this Company has been declared, payable December 5, 1950, to stockholders of record at the close of business November 20, 1950.

W. E. HAWKINSON,

Secretary and Treasurer.

Transfer books will not be closed.

Checks will be mailed.

November 3, 1950.

COLIN D. CRICHTON, General Secretary,

H. E. DODGE, Treasurer.

COMPANY

#### Joins Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. - Floyd W. Badgely has been added to the staff of Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Ex-

#### DIVIDEND NOTICES

St. Louis, Rocky Mountain & Pacific Co. Raton, New Mexico, October 25, 1950. COMMON STOCK DIVIDEND NO. 104

The above Company has declared a dividend 175 cents per share on the Common Stock I the Company to stockholders of record at the close of business November 15, 1950, payble December 1, 1950. Transfer books will of the closed not be closed.

P. L. BONNYMAN, Treasurer.



#### PEPPERELL MANUFACTURING COMPANY

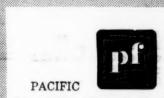
Boston, October 27, 1950

A regular quarterly dividend of Seventy-five Cents (75¢) and an extra dividend of Fifty Cents (50¢) per share have been declared payable November 15, 1950, to stockholders of record at the close of business November 8, 1950.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

ing Agents.

PAUL E. CROCKER, Secretary 160 State Street, Boston, Mass.



FINANCE CORPORATION

of California

#### DIVIDEND NOTICE

On October 25, 1950. the Board of Directors declared a regular quarterly dividend of 40 cents per share on the Common Stock (\$10 par value), payable December 1, 1950 to stockholders of record November 10, 1950.

> B C REVNOLDS Secretary

## **Hooker Electrochemical Company**

\$4.25 Cumulative Preferred Stock

Dividend
The Board of Directors of Hooker Electrochemical Company on October 31, 1950 declared a quarterly dividend of \$1.0625 per share on its \$4.25 Cumulative Preferred Stock, payable December 28, 1950 to stockholders of record as of the close of business December 1, 1950.

#### Cumulative Second Preferred Steck, Series A, Dividend

The Board of Directors of Hooker Electrochemical Company on October 31, 1950 declared a quarterly dividend of \$1.125 per share on its Cumulative Second Preferred Stock, Series A, (\$4.50 dividend), payable December 28, 1950 to stockholders of record as of the close of business December 1, 1950.

Common Stock Dividend The Board of Directors of Hooker Electrochemical Company on October 31, 1950 declared a quarterly dividend of Porty Cents (\$40) per share on its Common Stock, payable November 28, 1950 to stockholders of record as of the close of business November 13, 1950.

Extra Common Stock Dividend The Board of Directors of Hooker Electrochemical Company on October 31, 1990 declared an extra dividend of Fifty Cents (\$5.91) per share on its Common Stock, payable November 28, 1950 to stockholder of record as of the close of business November 13, 1950. ANSLEY WILCOX 2nd, Secretary.





# Washington . . .

Behind-the-Scene Interpretations from the Nation's Capital And You

the Chinese Reds change their could be organized. minds suddenly and decide to go back to Manchuria, their entrance into the Korean War is likely to have vast repercussions on the course of legislation and business regulation, effects rivaling if not considerably exceeding went out. Chairman Doughton the consequences of the Congressional elections.

There is no doubt that the Chinese commies are fighting. Sev- 15 and tell what kind of an EPT eral days before the election two different battalions of their forces were definitely spotted in Korea. Nevertheless, the Administration seemed to react most slowly to this development at first, seeming lican endorsement by Chairman not to acknowledge it.

son to believe that the Administhe recent Korean fighting.

ever, is political. It is very fresh either House does, however else in the public mind that up until he may vote on legislation, is to the first Americans began to be vote for Republicans for chairkilled by Chinese Communist manship of committees, and vice forces, that the Administration versa for an irregular Democrat. General MacArthur's assertion that the U.S. must maintain a military position on Formosa was which has to face the regulatory rebuked. The whole country was told that the reason the U. S. comic situation with respect to the could not send forces to assist in inventory order, which included Indo China was that this would lumber. be construed as U. S. "imperial-

is understood why the Administration did not even send promptly its customary note of complaint at the first evidence that the Chinese commies were in the war. To do so would have acknowledged in time for the election that the tender solicitousness of the State Department toward the Chinese branch of the Kremlin brought nothing but total failure. Undoubtedly it would have had an effect on the elec-

Once there is acknowledgment by the White House of a new war, then the path of excess profits tax, income tax, and other war- zles the industry, which can't related legislation becomes smoother and quicker. The regwith less solicitude for public dangerous, and bulky commodity sentiment against all-out con-trols, for public sentiment can well favor them.

have firmly insisted privately that Russia would never let U.S. forces near the Manchurian border, for Manchuria, because of its immense resources, is the funpower in China moves. With U.S. troops athwart the Manchuria border, the entire Russian dominance of Asia would be in potential jeopardy. They think that if limited Chinese Communist forces cannot shove the U.S. away from the Manchurian border, a broader Chinese effort will be involved. If that is not enough, perhaps Russia herself will join in. The Chinese Communist reaction, it because of the brilliant strategy of the U.S. military leaders in pulling the Inchon invasion. which beat up the Red Korean lates to bring up the quality of

WASHINGTON, D. C. - Unless forces before their reinforcements

Strenuous efforts were made to get Rep. Robert L. Doughton to change his letter of instruction to witnesses on the pending excess profits tax idea before the letter told witnesses that they could come to the Ways and Means committee hearings starting Nov. should be enacted. This inferentially ruled out arbitrarily any testimony against EPT.

The politics of official Repub-Gabrielson and others of Senators For this there are at least two Charles W. Tobey of New Hampreasons. For one thing, the Ad- shire and Wayne Morse of Oreministration was reluctant to gon were nothing more or less have its sweet dream of peace dis- than this: When it comes to orturbed. Until this new intelli- ganizing the Senate all that gence permeated, there was rea- counts is 49 Senators with a Republican label, regardless of the tration had actually convinced fact that some of these Republithemselves that the Kremlin was cans in their votes are a greater going to limit its military efforts comfort to the White House than to some scale decidedly less than say about half the Senators who are called Democrats. The one The more cogent reason, how- thing an irregular Republican in was turning the other buttocks to On that question alone, party the Chinese commies to be kicked. lines are all but invariably strict. ing the octane content of civilian on.

> Except for the lumber industry, music, there is something of a

With the advent of Regulation X restricting mortgage credit, In the light of this situation it there were large cancellations of lumber orders. Retailers attempted to cancel on wholesalers, and wholesalers on mills. The latter, however, usually have firm contracts. So now the National Production Authority is trying to interpret who can legally cancel against whom, and after that, perhaps, what are "excessive" inventories in relation to the present situation.

Why not just strike lumber from the list of commodities subject to inventory control? Oh, no, that couldn't be done, says NPA. What if lumber should again become tight some time? This puzseem to figure out how somebody could suddenly learn magically ulatory officials can shove ahead how to hoard such a costly, fire-

NPA, it is a reasonable bet, may Many military observers here be expected in the near future to expand considerably its list of commodities, now 32, subject to dations. inventory controls.

nel through which all Russian to the war changes things, the these projects individually must the "Chronicle's" own views. outlook for at least six months is thought by the industry to be good not only for total civilian gasoline supplies, but for the maintenance How much of their quality. longer than six months this will apply, depends upon such uncertainties as whether the war expands the demands for Aviation gasoline.

Production of "Avgas" set by the military would be 150,000 baris asserted, was only delayed rels per day, versus 600,000 barrels at the height of the last war. There is some temporary dislocation due to the new use in most recent years of "synthetic" alky-

## **BUSINESS BUZZ**



"Say, Joe--Know any place where I can get a loan of five 'till payday?"

For the last several weeks the boost in required member bank reserves has been reported in responsible quarters as "imminent." It is difficult to find a convincing explanation for the delay in ordering these.

The Administration's program for production expansion does not envisage the idea of raising reserve requirements. This would impose a "horizontal" restriction upon commercial bank lending, and tend to discourage the objective of overall expansion with the Administration is pushing with a view to lessening the impact of a long war preparation program upon civilian requirements.

It is reported that W. Stuart Symington, National Security Resources Board chairman and coordinator of the controls program, will maintain as tight a control over direct RFC loans for war and war-supporting plant expansion as he does over accelerated amortization.

Under accelerated amortization all applications for this tax privmake their prayers to the NSRB chairman. The latter asks for the advice of the appropriate agencies. He may or may not be bound by these recommen-

Congress made available \$600,-000,000 for immediate use in di- pretation from the nation's Capital Unless the Chinese entrance in- rect loans. It is understood that and may or may not coincide with

gas, and their mal-distribution. be approved by Symington, re-However, the industry is rapidly gardless of whether tney are coming along with "Avgas" prosought by one of the service facing, the cumulative effects duction, and without the necesbranches, NPA, Defense Transcould be extremely serious. Not sity, it is said, for an order reduc- portation Administration, and so

> In circles which cannot be idenimpact of the tougher instalment credit regulations is likely to be on these motor producers who are a little above the \$2,500 price range, and without cheaper lines to which they can shift production emphasis. The very high priced cars probably will not be hit, for they are usually sold for cash. Those producers with a combination of medium and low priced cars may be expected to boost the output of the lower cost models, cut down on those between \$2,000 and \$2,500 or over.

> There is some expectation here that after the buyers who cannot buy on the tougher terms have been washed out, that other buyers who can will come into the market, especially in view of the availability of cars.

> There are well-founded reports that NPA is thinking of letting the motor industry produce 5.1 million cars in 1951, the same volume as 1949, under a limitation order which might come out in a few weeks, perhaps not for two or three months. All this intelligence discloses is present intention, and present intentions of the control authorities are somewhat perishable.

> (This column is intended to reflect the "behind the scene" inter-

Continued from page 6

## **Excess Profits Tax Termed Impractical**

can look forward to high returns later on, commensurate with the risk, if the ventures pan out successfully. No one is going to put capital in such ventures, with all the danger of total loss, if all he can hope for is that the enterprise might earn a mere 5%, or even 8% on i's capital—and this before taxes at that! It is the hope of doubling and trebling one's money that makes such venturing worth

"In short, to the question, what is a fair return on capital?, there can be no precise answer.

#### A Bad Tax

"All this only goes to show the more strongly why the excess profit tax, with its arbitrary standards of "fair return" and other defects, is a bad tax.

"Unless the industries of this country are permitted to earn a rate of return that will foster incentive and attract capital, growth will be stultified and the 'mature economy' we used to hear so much about in the '30s will be here with a vengeance. For a brief emergency period, the evils of this tax may be supportable. But in a long drawn-out rearmament program of the magnitude and duration that we seem to be only the future of the private enterprise system, but the security of the country itself, depends on tified, it is reported that the worst our maintaining the vigorous dynamic growth which has been responsible for our high standard of living and which played so decisive a role in winning the

#### With Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio - William & Ballentyne is with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

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